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THIRTY-FIFTH BIENNIAL REPORT

FROM THE

OFFICE OF STATE TAX COMMISSIONER
KENT CONRAD

TO THE

Governor and the Office of Management and Budget

STATE OF NORTH DAKOTA

For the Biennial Period July 1, 1979, to June 30, 1981

Date of Publication: December 1981

NORTH DAKOTA TAX DEPARTMENT
STATE CAPITOL, BISMARCK, NORTH DAKOTA 58505

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KENT CONRAD
STATE TAX COMMISSIONER
State of North Dakota
State Capitol
Bismarck, North Dakota 58505

December 1, 1981

To: The Honorable Allen I. Olson, Governor
Mr. Dale Moug, Director of Office of Management and Budget

It is with great pleasure that I submit for your consideration the Thirty-fifth Biennial Report of the Tax Commissioner.

The report covers the operations of the Office of the Tax Commissioner for the period July 1, 1979, through June 30, 1981, and is submitted pursuant to Sections 54-06-04 and 57-01-02 of the North Dakota Century Code.

Sincerely,

Kent Conrad

Kent Conrad
North Dakota Tax Commissioner

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This report was prepared by David Haring, Administrative Officer, and C. William Cudworth, Research Analyst for the North Dakota Tax Department.

SUMMARY OF TAX DEPARTMENT ACTIVITIES
HISTORIC CHANGES

The 1979-1981 biennium, and the final eight months of that two-year period in particular, brought profound and historic changes in North Dakota's tax structure. That span of eight quarters in the 1979-1981 biennium may go down in the history of our state as perhaps the most significant period, in terms of tax history, we have ever experienced.

Actions taken either by the voters, the Legislature or the Tax Department created a new state oil extraction tax which greatly enhances the state's revenue-producing capabilities; a new simplified, optional state individual income tax system which provides substantial tax relief to individual taxpayers; a new property tax law which includes a legal property classification system and an agricultural productivity approach for valuing farmland; and new methods of assessing centrally assessed property that are more in line with advanced utility appraisal procedures.

These changes in the oil, income and property tax systems, in effect, were part of a major overhaul of the prime revenue-producing taxes in North Dakota, an overhaul that began in 1976 when voters approved an initiated measure which revamped the state's sales tax rates.

But the oil, income and property tax changes were not the only tax highlights of the 1979-1981 biennium. In addition, uniform penalty provisions were enacted for delinquent payments on most state-imposed taxes and repeal of most provisions of the state's business privilege tax took effect.

Further, the Tax Department recorded the largest corporate income tax audit settlement in the state's history. On the national horizon, the Tax Department launched lobbying efforts to stem a growing movement in Congress to place limits on states' severance taxes and on the manner in which states may tax multinational corporations.

Herewith follows a more detailed examination of the significant elements of the historic tax log produced in the 1979-1981 biennium:

OIL EXTRACTION TAX:

In November, 1980, North Dakota voters gave solid approval to an initiated measure which established the new oil extraction tax, a 6.5 percent tax on the value (or selling price) of oil at the wellhead. The tax took effect January 1, 1981, and applies only to oil and not natural gas.

The new tax more than doubled the state's effective tax rate on oil. It is levied in addition to the state's gross production tax on oil and natural gas. The production tax, enacted in the 1950s in lieu of all property taxes, is a 5 percent tax on the value of both oil and natural gas at the wellhead.

In addition to creating a new oil tax, the measure also earmarked the revenues from the new tax and provided substantial tax relief.

The measure provided that 45 percent of all revenues from the tax were to be dedicated to elementary and secondary education funding, another 45 percent to the state's general fund and the final 10 percent to a special trust fund. The 1981 Legislature then amended that distribution formula, under which 60 percent of all oil extraction tax revenues now go to a special fund for education, 30 percent to the state's general fund, and 10 percent to a trust fund.

Both income and property tax credits were carried in the measure. First, it granted individual, estate and trust taxpayers, beginning in tax year 1981, an annual energy cost relief credit of up to $100. That credit, which is applied against an individual, estate or trust taxpayer's state income tax liability, will provide an estimated $41.6 million in tax relief in the 1981-1983 biennium. Second, the measure granted property owners a credit of up to $500 per parcel of land on property taxes resulting from the statewide county equalization levy for education. That credit, in effect, would have eliminated county equalization levy taxes on nearly all farmland and residential property. Because of that, the 1981 Legislature repealed the county equalization levy altogether.

The oil extraction tax's journey onto the state's tax list was sometimes stormy. The measure itself sparked heated debate between supporters, including the coalition of statewide organizations which sponsored it, and its opponents, mainly the oil industry and royalty owners in the state. Opponents argued that the new tax was excessive, that it would scare off oil development in the state and raise the consumer price of gasoline and other oil products. Supporters countered that the new oil tax was not excessive but rather that it would place North Dakota's oil tax structure more on par with those of other major oil-producing states. Supporters also argued that income and property tax relief was warranted, particularly in view of the increased revenues the new tax would generate.

In April, 1981, a lawsuit brought on behalf of the oil industry was filed in district court. The suit, naming the Tax Commissioner as the defendant, argued the oil tax measure was unconstitutional. The district court, however, upheld the measure's constitutionality in a decision issued in May, 1981. The plaintiffs appealed to the North Dakota Supreme Court, which upheld the district court's ruling in a decision issued in October, 1981.

The new oil tax actually raised $23.7 million in its first quarter of effect and is destined to be a major revenue source for education and for the state general fund in the years ahead. Latest estimates by the Office of Management and Budget, issued in November, 1981, predict the oil extraction tax will raise another $192.5 million in the eight quarters of the 1981-1983 biennium.

SIMPLIFIED, OPTIONAL INCOME TAX SYSTEM FOR INDIVIDUALS

The 1981 Legislature acting on a concept proposed and supported by the Tax Department, adopted a simplified, optional state income tax system for individual income taxpayers with provisions extending to estate and trust income taxpayers. This optional, short-form method for computing state income tax liabilities will take effect in tax year 1981. Under the new system, taxpayers will have a choice between using the new simplified short form or the standard long form to compute their state income taxes.

Those individuals using the short form will simply multiply their federal income tax liabilities, before federal credits, by 7.5 percent to determine their state income tax liabilities. Taxpayers using the optional short form to compute their state income tax liabilities will also be granted the energy cost relief credit of up to $100.

The new optional short form will not only simplify state income taxes for individual taxpayers, but it will also provide tax relief for individuals. The optional short form method and changes Federalizing the long form through December 31, 1980, are expected to provide $33 million in tax relief to taxpayers in the 1981-1983 biennium. Most of the savings will go to those using the new simplified optional short form method. This tax savings will come in two ways. First, the tax rate itself will be low enough to generate savings for most taxpayers. Second, the short form method takes into account the Economic Recovery Tax Act of 1981, containing new federal tax breaks which will also mean additional savings on state income taxes.

An estimated 80 percent to 90 percent of all individuals paying state income taxes are expected to use the new short form method. Generally, the only individual taxpayers who would not stand to benefit from the new short form method are those who have unique state tax adjustments, such as deductions for beginning farmers and beginning businessmen, or who have high income and thereby have a large Federal tax liability as a deduction, that result in a greater benefit from use of the standard long form for computing state income taxes.

But even those taxpayers who continue to use the long form to compute their state income taxes will find tax relief. Under changes approved by the 1981 Legislature, the long form, beginning with tax year 1981, will encompass federal tax law changes through December 31, 1980, and will also contain expanded state credits and deductions. These additions to the long form will provide an estimated $1.9 million in further tax relief for individual income taxpayers in the 1981-1983 biennium.

Combined, the energy cost relief credit, the new optional short form computation method and changes in the standard long form method will provide an estimated $76.5 million in tax relief in the 1981-1983 biennium. That represents a reduction of nearly 50 percent for individuals paying state income tax.

Even corporations will find a tax reduction on state income taxes in tax year 1981, thanks to actions by the 1981 Legislature revamping corporate income tax rates and brackets. The new corporate income tax law will provide an estimated $18.9 million in tax relief in the 1981-1983 biennium.

NEW PROPERTY TAX LAW:

For years, local assessors in North Dakota used a "defacto classification system" in which different types of property were assessed at varying percentages of their market value. In effect, the assessors and the state simply ignored existing state statutes which said all property should be treated the same for purposes of property tax assessments and all property should be assessed at 100 percent of market value.

It first became apparent that the classification system on the books would not be followed in the late 1930s and early 1940s when market values of property began to increase much faster than the values assessors were willing to place on those properties for assessment purposes. Instead, assessors began to fractionalize assessments, taking only percentages of market values to determine the values upon which property taxes were applied. As the years passed, the disparity between the market values and the assessed values became more acute. In the 1970s in particular, with

inflation pushing market values higher and higher, the ratio between assessed value and market value nose dived further and further. The spread between asssessment levels on one type of property versus another also began to widen, particularly as inflation increased the market value of farmland much more than other property. What developed was a system in which farmland was assessed at a lower percentage of market value than residential property, residential property at a lower percentage than commercial property and commercial property at a lower percentage than utility property.

Then, in a December 1979 ruling in a case involving the Soo Line Railroad and the State Board of Equalization, the North Dakota Supreme Court provided the impetus for major revision of the state's property tax laws. In effect, the court said it would no longer recognize the state's defacto property classification system. Beginning with property tax assessments in 1981, the court ruled, property tax assessments on all types of property across the state must be uniform, unless the Legislature provided otherwise.

When the 1981 Legislature met, farmland was being assessed at a statewide average of 5.6 percent of market value, residential property at 9 percent, commercial property at 12.2 percent and utility property at 15.5 percent. The Tax Department urged the Legislature to adopt a legal property classification system. Without a legal property classification system, uniform assessments for all properties, as ordered by the court, might well create an inordinate shift of the property tax burden to agricultural property, the department warned.

Prompted by the high court's ruling and acting on concepts supported by the Tax Department, the 1981 Legislature passed a new property tax law, effective for 1981 assessments. The law contained three main ingredients: a legal property classification system which sets levels of assessments for each class of property, methods for determining the value of farmland by using agricultural productivity factors rather than actual market values, and a full disclosure law which will give assessors a valuable tool to use in determining actual market values on other types of property.

The new classification law defines each class of property for assessment purposes. Generally, those classes are the same as were in effect under the old defacto system; that is, agricultural, residential, commercial and utility property. One major change under the new law, however, is that platted lands cannot be classified as agricultural lands for assessment purposes. Under the new law, platted lands are classified as commercial property. Platted lands were often classified as agricultural lands under the defacto classification system. In a November, 1981, reconvened session, the Legislature restricted this change to property platted after March 30, 1981, only.

Under the new system, the basis for valuing residential, commercial and centrally assessed property, such as railroads and utilities, is "true and full value," which is defined as market value. Residential property is assessed at 9 percent of market value. Commercial property is assessed at 10 percent, as is railroad property. Other centrally assessed property, such as electric and gas companies, telephone and telegraph companies and pipelines, will be assessed at 14 percent for 1981, 13 percent for 1982, 12 percent for 1983, 11 percent for 1984 and 10 percent for 1985 and thereafter.

Agricultural property will be assessed at 10 percent of its true and full value as well. The new law, however, provides that "true and full value" for agricultural property will be its agricultural value, not its market value. By law, agricultural values will be determined through a productivity approach. Generally, an average annual gross return of crops and livestock, capitalized at a rate of 7.5 percent, will be computed on a per-county basis for each of the state's 53 counties. Local assessors may apportion values to different parcels of farmland within a county in any reasonable manner as long as the total value apportioned within the county equals the total average agricultural productivity value determined for that county by law.

The new property tax law also includes the state's first provisions for full disclosure of the actual selling price of properties. Under this clause, the grantee, before recording a deed, must certify the full selling price of the property involved in the transaction. Lack of a full disclosure law has long been a stumbling block for equalizing assessments across the state and it also has posed a severe handicap for local assessors in determining true market values of property. Without such a law, assessors have been forced to estimate market values without access to reliable data on which to base those estimates.

Finally, the 1981 Legislature adopted provisions designed to ensure that changes in the property tax law would not severely affect the operations of local government or the pocketbooks of most property owners. In general, the new law provides that the property tax revenues a taxing district receives, for 1981 and again for 1982, may be no less than it received in 1980 and no more than 7 percent above what it received in 1980. This clause effectively assures, for 1981 and 1982 at least, that changes in the property tax law will not result in drastically reduced revenues for political subdivisions or inordinate tax increases for most property owners.

VALUING CENTRALLY ASSESSED PROPERTY:

In 1981, the Tax Department developed and the State Board of Equalization adopted new methods for determining the values of certain centrally assessed properties. Properties affected by these changes include railroads, pipeline

companies, and public utilities such as electric and natural gas companies and telephone and telegraph companies.

Because these properties are rarely sold and thus actual market values are difficult to determine, the state has used a formula approach to determine their valuations. That formula may include any of three factors: cost of property, capitalized income that the property can generate, and stock plus debt. All three factors are used in the formula for determining valuations for railroad property. Cost and income factors are used in determining valuations for public utilities such as electric, natural gas, telephone and telegraph companies. Only the cost of property factor is used in determining valuations for pipelines.

Historically, determinations of cost of property were based on the average cost for the three previous years. Under the changes adopted by the Tax Department and the Board of Equalization, the cost of property will be determined on a one-year basis, the cost as of the date of the property tax assessment.

Similarly, determinations of capitalized income were based on the average annual income for the three years prior to the assessment date. Under the new formula, the income factor will be based on future annual income as projected from trends of actual income from the previous five years. In addition, the income capitalization rates used to determine valuations were changed.

Calculations for stock and debt factors were also changed from a three-year averaging basis to a current-year approach.

Further, the Tax Department and Board of Equalization adopted new methods to determine the manner in which values of centrally assessed property are allocated to North Dakota for property tax assessment purposes. Because public utilities, pipelines and railroads have systems which extend beyond the boundaries of North Dakota, it is necessary to determine valuations of their entire systems and then allot a portion of those valuations to North Dakota. Under the new methods, the allocation of those valuations was changed from a three-year averaging to a one-year basis.

For railroads, the new methods for determining valuations took effect on 1980 assessments. For all other centrally-assessed properties, the new procedures will take effect on 1981 assessments.

In total, these changes ensure North Dakota property taxes on centrally assessed properties will be levied against current valuations and current property holdings. The effect of these changes will be to increase assessments for companies with increasing profits and investment in North Dakota and decrease assessments for those with declining profits and investment in the state.

UNIFORM PENALTY PROVISIONS:

The 1981 Legislature, acting on a proposal presented and supported by the Tax Department, enacted legislation providing uniform penalties for taxes collected by the Tax Department, effective July 1, 1981.

Under this change, the same charge will be imposed against delinquent payment of taxes which are to be collected by the Tax Department. The taxes and penalties are then forwarded for deposit in the state treasury. Those taxes subject to the uniform penalty provisions include corporate and individual state income taxes, sales and use taxes, the motor vehicle excise tax, motor vehicle fuels and special fuels taxes, the tobacco products tax, oil and natural gas taxes, and coal severance and coal conversion taxes. The penalty itself will be 5 percent of the tax liability plus 1 percent per month until the tax is paid in full.

The old law provided a similar 5 percent penalty for unpaid sales and income taxes. The penalties for delinquent payments of the other taxes now subject to the uniform penalty provisions were generally lower, however. In fact, there were no penalty provisions at all for unpaid coal severance taxes.

Reasons for creating the uniform penalty provisions were basically two-fold. First, uniform penalties should simplify administration of financial charges against unpaid taxes. Second, there was concern that, for certain taxes, the penalties under the old law were far too weak, particularly in view of current interest rates on the money market. Hiking the penalty interest rates should provide stronger incentives for delinquent taxpayers to meet their tax obligations. The uniform penalty provisions are expected to bring in over $100,000 in additional revenues for the state in the 1981-1983 biennium.

BUSINESS PRIVILEGE TAX REPEAL:

Enacted in 1970, the business privilege tax was designed to replace a portion of the revenues lost when the state's personal property tax was eliminated.

The business privilege tax applied to all corporations, individuals, estates, trusts and partnerships doing business in the state. For corporations, individuals, estates, trusts and partnerships, the tax was 1 percent of all taxable income with a minimum tax of $20 for all of those required to file. A business privilege tax of 2 percent of all taxable income was also imposed on all banks, trust companies, and building and loan associations doing business in the state.

By the mid 1970s, the tax had become unpopular, difficult to administer and, some argued, an unfair tax burden for small businessmen, particularly. Acting in response to that, the Legislature approved repeal of the minimum tax and approved exemption of the first $2,000 of net income from taxable income effective January 1, 1975. Then, in 1979, the Legislature approved repeal of most of the business privilege tax but delayed the effective date of the repeal until January 1, 1981. The repeal applied to the business privilege tax on corporations, individuals, estates, trusts and partnerships. The business privilege tax on financial institutions was not repealed and remains in effect.

A major reason for delaying the effective date of the repeal was to make sure the state would be financially stable enough to absorb the loss of revenues that would result from elimination of the the tax. By the time the effective date of the repeal arrived, the state's financial picture had been brightened considerably by the enactment of the new oil extraction tax. Nevertheless, repeal of the business privilege tax will provide an estimated 85% reduction in collections of that tax.

LARGEST CORPORATE AUDIT SETTLEMENT:

In February of 1981, the Tax Department reached a $1.2 million corporate income tax settlement against an out-of-state corporation doing business in North Dakota.

That settlement, culminating a tax department field audit which began 10 months earlier, marked the largest single corporate field audit settlement in the state's history. It was also one of the fastest settlements of a large audit the department has ever recorded. The largest previous corporate audit settlement was a $700,000 settlement reached in 1979.

LIMITATIONS ON STATE SEVERANCE TAXES:

In the 1979-1981 biennium, efforts surfaced in Congress for consideration of national legislation which would limit the amount of severance taxes states may impose on natural resources, particularly coal and oil. For example, one such proposal would limit state severance taxes on coal to no more than 12.5 percent of the contract price of coal at the mine.

The Tax Department and the Tax Commissioner launched and are prepared to continue a vigorous lobbying effort to prevent any national legislation limiting state severance taxes. On August 31, 1981, the Tax Commissioner testified before a U.S. Senate subcommittee studying proposals to limit state severance taxes. The Tax Commissioner told the panel North Dakota is "opposed to any intrusion by the United States Congress on the states' sovereign right to determine their own policy." Any attempt by Congress to restrict those states' rights is "simply poor public policy," the Tax Commissioner said. "The best way to regulate an individual state's tax policy is to allow the natural tax competition between states to prevent any abuse. Any state that establishes a severance tax which is out of line with the marketplace will soon find its production of oil, coal or natural gas without a market."

Nationally-imposed limits on state severance taxes would also have a negative financial impact on the state of North Dakota. If North Dakota's current flat-rate coal severance tax was translated into a percentage tax, it would equal a 14 percent to 16 percent tax, well above the proposed 12.5 percent limit. If that 12.5 percent limit were in effect, North Dakota would lose approximately $7 million in coal severance tax revenues in the 1981-1983 biennium.

LIMITS ON TAXING MULTINATIONAL CORPORATIONS:

The Tax Department has long used a "unitary, worldwide" auditing approach to determine state tax liabilities for multinational corporations which do business in North Dakota. Under such a unitary auditing approach, the department essentially considers parent corporations and their subsidiaries, including foreign subsidiaries, a single entity for tax purposes.

Legislation currently pending in Congress would severely restrict the manner in which states are allowed to tax multinational corporations. Generally, it would prevent states from including foreign subsidiaries in the parent company's tax base. It would not allow states to tax dividends from foreign corporations.

In short, it would prevent states from using the unitary auditing approach to determine multinational corporations' state tax liabilities. Instead, states would be required to use "arms-length" auditing procedures. The Internal Revenue Service is already using the arms-length approach and has found it to be a major auditing problem. Parent companies will simply shift profits to foreign subsidiaries to avoid U.S. taxes and the IRS has neither the resources nor the expertise to track down their taxable income using the arms-length approach.

In 1981, the North Dakota Tax Department and the Tax Commissioner lobbied both administration officials and congressional leaders to prevent any national legislation limiting states' rights to tax multinational corporations. The Tax Commissioner has pledged to continue such lobbying efforts in the 1981-1983 biennium.

Echoing his concerns about proposed national legislation limiting state severance taxes, the Tax Commissioner believes federally-imposed limits on the ways in which states may tax multinational corporations would constitute an intrusion by the federal government into the states' sovereign right to determine their own tax policy. Further, he has argued that "it is an impossible task" for states to use the arms-length auditing approach with multinational corporations. States simply don't have the resources available to do so, especially at a time when the federal government is cutting back on federal assistance to states and asking states to shoulder more of the burden, the Tax Commissioner has argued. Still further, he has argued that if states are prevented from looking at companies with foreign subsidiaries as a single entity for tax purposes, it will encourage them to set up tax havens in foreign countries.

Loss of the unitary auditing approach would have a substantial impact on North Dakota revenue-producing capabilities. If it were prevented from using unitary auditing procedures, North Dakota would lose an estimated $3 million to $5 million in tax revenues each year.

POWERS AND DUTIES OF THE TAX COMMISSIONER

1. Shall perform all the duties enjoined upon him by law;

2. Shall exercise general supervision over all assessors of general property or other taxes, over township, county, and city boards of equalization and over all other assessing officers, in the performance of their duties, to the end that all assessments of property be made relatively just and equal in compliance with the laws of the state;

3. Shall direct actions and prosecutions to be instituted to enforce the laws relating to penalties, liabilities, and punishments of persons, officers of corporations, public officers, and others, for failure or neglect to comply with the provisions of law governing the returns, assessments, and taxation of property, income, or other objects of taxation, cause complaints to be made against officers for neglect or refusal to comply with the law, and generally shall enforce all tax proceedings and revenue laws of the state in the proper courts;

4. May require state's attorneys of the several counties to assist in the commencement and prosecution of actions and proceedings for the violation of any laws in respect to assessment or taxation;

5. May require township, city, county, and other public officers to report information as to the assessment and collections of property and other taxes, receipts from licenses and other sources, the expenditure of public funds for all purposes, and such other information as may be needful in the administration of the tax laws, in such form and upon such blanks as he may prescribe;

6. May summon witnesses to appear and give testimony and produce books, records, papers, and documents relating to any matter which he or the state board of equalization may have authority to investigate or determine, and may cause the depositions of witnesses residing within or without the state, or temporarily absent therefrom, to be taken, upon notice to the interested parties, if any, in like manner as depositions of witnesses are taken in civil actions in district court;

7. May require a reassessment of property in any county to be made in accordance with chapter 57-14, whenever that is deemed necessary, or may require county auditors to place on the assessment rolls property which may be discovered and which has not been taxed according to law.

8. Shall examine carefully all cases where evasions or violations of the laws of assessment and taxation of property or other objects or subjects of taxation are alleged, complained of, or discovered, and shall ascertain wherein existing laws are defective or are administered improperly or negligently;

9. Shall submit to the governor and the department of accounts and purchases as prescribed by section 54-06-04 the biennial report of the commissioner and state board of equalization;

10. Shall visit other states and confer with taxing officials and attend tax or other economic conferences or conventions, in person or by his authorized agent;

11. Shall certify all levies, assessments, equalizations, or valuations made by him or the state board of equalization, not more than thirty days after the same have been made, or at periods otherwise provided by law;

12. Shall have the power to execute reciprocal agreements with the appropriate officials of any other state under which he may waive all or any part of the requirements imposed by the laws or statutes of this state upon those who use or consume in the state of North Dakota, gasoline, other motor vehicle fuel or special fuel upon which the tax has been paid to such other state, provided that the officials of such other state grant the equivalent privileges with respect to gasoline, other motor vehicle fuel or special fuels used in such other state upon which the tax has been paid to the state of North Dakota;

13. May maintain an accounting system which includes a special category of accounts designated as noncurrent accounts. Said noncurrent accounts shall be those accounts which are uncollectible as a matter of law or those accounts where all reasonable collection efforts over a period of six years have produced no results. After examination by the state auditor, and upon his recommendation for cause, specific accounts may be removed by the commissioner from noncurrent status and all reports pertaining thereto immediately destroyed.

Specific duties assigned to the office of State Tax Commissioner are set out in Title 57, N.D.C.C., and in Section 15-40.1-04, N.D.C.C.

GENERAL GOALS AND OBJECTIVES OF THE TAX TAX DEPARTMENT

The major objective of the Tax Department is to collect tax revenue, for the operation of state and local government, through the uniform and fair administration of tax laws. To accomplish this, it is necessary to achieve several complementary goals.

Obtaining the citizens' voluntary compliance with tax laws is the first of these goals. The department fosters compliance with the tax laws by informing the public not only about specific tax laws but general tax structure as well. This is accomplished by issuing rules and regulations, guidelines, and instructional booklets and holding public meetings. Generally, citizens who understand their obligations are willing to fulfill them.

The second goal is enforcing compliance with tax laws when a person or persons refuse to voluntarily submit tax returns and/or remit taxes due. Compliance is carried out by the department's tax auditors and collections officers acting under procedures set out in Title 57 of the North Dakota Century Code.

Providing employees with opportunities for personal and professional growth within the organization is a third goal. The department seeks to assist and spur this professional growth, first, by employing the best personnel possible and then by providing training programs and seminars and other avenues for advancement of those employees.

A fourth goal is allowing individual freedom to employees but doing so within the structure of the department's general objectives. Such a system, which fosters creativity and initiative, is the key to effective management because it provides an environment in which employees work to accomplish self-set goals within the context of broader department objectives.

Meeting the department's objectives by wisely and effectively using the money provided by the Legislature is the fifth goal. The department is committed to making the best use of its budget. In its efforts, the Department relies on a management system which permits realistic measurement of the efficiency and cost effectiveness of Tax Department operations. The department believes in minimizing dollars spent on administrative costs, without jeopardizing the interests of the state and the taxpayer.

Specific goals, objectives and plans for the Tax Department in the 1979-1981 and 1981-1983 bienniums will be addressed in the following pages which outline the department's organizational structure.

FUNCTIONS AND RESPONSIBILITIES OF THE TAX DEPARTMENT'S DIVISIONS

The Tax Department has six separate divisions. The Commissioner's Division is the administrative nucleus of the department. The Legal Division provides legal advice and counsel to the department and to the State Board of Equalization. The Controller's Division performs accounting functions, provides staff services and collects delinquent taxes. The Sales and Special Taxes Division, Income Tax Division and Property Tax Division administer different state taxes under the direction of the Tax Commissioner. Some functions were shifted from one division to another in the 1979-1981 biennium or will be shifted in the 1981-1983 biennium. The following summaries provide more detailed explanations of the functions and operations of the Tax Department's divisions.

COMMISSIONER'S DIVISION

The Commissioner's Division has ultimate responsiblity for the general administration of the department. It also serves as the department's primary research center, coordinates its data processing needs and manages its personnel functions. On July 1, 1981, the start of the 1981-1983 biennium, the division also assumed direct supervision of internal auditing within the department.

Heading the division and the Tax Department itself is the Tax Commissioner, the chief administrator of the department and final arbiter of its policies. The commissioner also serves on several administrative boards related to the Tax Department. As secretary to the State Board of Equalization, which certifies tax assessments for public utilities whose properties lie within several taxing districts, the commissioner is responsible for determining the tentative valuation of those properties. The commissioner also oversees regular studies of real estate assessments done by the Tax Department, studies which the State Board of Equalization may use in equalizing property tax assessments between counties and taxing districts.

Further, the Tax Commissioner is a voting member of the Multistate Tax Commission, an organization which enhances, through the mutual cooperation of its member states, the ability of state revenue departments to enforce compliance with tax laws applying to multistate businesses. Tax Commissioner Kent Conrad is currently serving as vice chairman of the Multistate Tax Commission. The Tax Commissioner is also a member of the Midwestern States Association of Tax Administrators and the National Association of Tax Administrators. Commissioner Conrad is currently a member of the executive committee of the Midwestern association and is vice chairman of the committee on income taxation for the National Association.

Augmenting the commissioner in determining department administrative policy is the Deputy Commissioner. The deputy oversees tax research, data processing coordination, implementation of tax policies and development of criteria for effective management and supervises finalization of tax forms, instructions and rules and regulations. With the commissioner, the deputy has control over budgeting and fiscal decisions for the department. The deputy assists the commissioner by attending meetings and hearings as the department's liaison with other government and nongovernment organizations.

An integral arm of the Commissioner's Division is the Research and Statistics Section. This section is involved in the preparation of revenue projections and other fiscal analyses. When requested by the Legislative Council, it prepares estimates and projections of fiscal implications of all proposed tax legislation dealing with state revenues. The section also estimates the current and future fiscal impact of all administrative rulings proposed by the Tax Commissioner, maintains files of legislation affecting state finance, and develops and maintains statistics on state tax revenues to provide information and analysis to the commissioner. In addition to its work on revenue projections and fiscal analyses, the Research and Statistics Section also prepares and publishes the biennial report of the Tax Commissioner, statistical reports and comparative analyses of tax collections.

The workload of the section has grown considerably over recent years, most notably in the area of revenue projections. Yet, we are very proud that our revenue projections for the biennium were within ½ of 1% of actual collections. The revenue projection function has evolved into a continual process, with increasing emphasis beginning particularly in the 1979-81 biennium. The Tax Department has sought additional resources to meet its growing research and statistical needs. The Tax Department must receive a significant increase in support for research or it will simply be unable to provide the quality of service it has in the past.

Increased emphasis on the preparation of revenue projections is almost certain to continue in the years ahead. One reason is that the Office of Management and Budget, formerly the Department of Accounts and Purchases, and the Legislature demand extra input by the Tax Department because revenue projections are critical in the effort for sound management and to circumvent potential cash flow problems for the state. Another reason is the state's increased reliance on revenue from oil production, revenues which are dependent on a volatile world oil market. As a result, projections of those revenues can, and sometimes do, change in a matter of months. Further, the dramatic changes in income tax laws at both the Federal and state level put an increased burden on the Tax Department personnel preparing revenue projections.

For instance, the formulation of the budget for the 1981-83 biennium began in July of 1980 based on preliminary revenue forecasts by the Office of Management and Budget, which by statute has final responsibility for the state's official revenue forecasts. The Tax Department was asked at that time and has been asked on several occasions since that time to provide its analysis of projected revenue.

In November of 1980, the Research and Statistics Section provided input to the Office of Management and Budget, as requested, as OMB prepared its final revenue forecasts to be used in the appropriations process in the 1981 Legislative Session. In March of 1981, as the Legislature worked to finalize the state budget for the 1981-83 biennium, the Tax Department and the Office of Management and Budget were both asked to reassess their earlier projections and forecasts.

On March 20, 1981, the Tax Commissioner advised the Senate Appropriations Committee that expectations for the collection of oil and gas taxes should be lowered rather than increased as the Office of Management and Budget advised. In a letter to the Chairmen of the House and Senate Appropriations Committees on March 31, 1981, the Tax Commissioner reiterated his concern that estimates were too high.

Although the Legislature adopted the more optimistic Office of Management and Budget forecast, the Tax Commissioner again advised that oil and gas tax revenues could be lower than expected. In an Associated Press news story on May 30, 1981, the Tax Commissioner warned that, "the current world oil glut, the declining price of crude oil and the recent decision by OPEC nations to freeze the price of crude oil could cost North Dakota and its counties millions of dollars". In November, 1981, the Legislative Budget Committee requested an update of the revenue forecasts for the 1981-83 biennium. The revisions presented in November revealed the accuracy of the Tax Commissioner's earlier warnings which were developed on the basis of the work of the Research and Statistics Section.

Another element of the Commissioner's Division is the Data Processing Section, which evaluates data processing requests, retains computer system documentation, and designs, tests and implements new computer systems. This section also maintains current data processing systems and communicates with all users, develops and monitors physical security measures, reviews security methods and recommends security changes, controls access to Internal Revenue Service and state data files, controls data entry input and schedules, and controls production from computer systems.

Also within the Commissioner's Division is Management Planning and Personnel, known as the Personnel Management Section until July 1, 1979, when its name was changed. In many respects, Management Planning and Personnel functions as a separate division of the Tax Department, however, it remains within the Commissioner's Division, primarily for accounting purposes.

Management Planning and Personnel is responsible for recruitment of new employees, operation of the department's training program, and compliance with Equal Opportunity Employment regulations. It performs job analysis and

classification, maintains employee records, and administers the department's wage and salary plan. It also assists in department-wide planning by aiding each division in establishing objectives for management and determining criteria for the measurement of performance. A new function assumed by Management Planning and Personnel in the 1979-1981 biennium was to prepare written materials, maintain files, promote security awareness and review department security measures to insure the Tax Department complies with IRS requirements for safeguards of federally-provided tax information.

Beginning in the 1981-1983 biennium, the Commissioner's Division will also assume the department's internal auditing function. Internal auditing previously had been a function within the Accounting Section of the Controller's Division. The internal auditor, who now will be supervised by the Deputy Tax Commissioner, conducts audits within the Tax Department to determine compliance with policies and procedures and to monitor the efficiency of all its divisions and sections. Subsequent to an audit, recommendations are offered to improve the operations and effectiveness of the department.

Although it is not confined to only the Commissioner's Division, another role within the Tax Deepartment is to conduct studies assigned by the commissioner on matters and policies relating to taxes or to the department. A major study conducted in the 1979-1981 biennium, for example, analyzed the effectiveness of North Dakota's New Industry Tax Exemption Act. Originally enacted in 1969, the law allows qualified new industries in the state a property tax exemption for a maximum of five years. The exemption was designed to attract new industry into the state and to add to the state's volume of employment. The Tax Department's study, however, concluded that the exemption, at best, has "played only a minor role" in new industries' decisions to locate in North Dakota. It also raised questions about what types of new industry are benefitting the most from the exemption and whether those new industries granted exemptions have significantly added employment opportunities for North Dakota's job force.

Further studies by the Tax Department are planned for the 1981-1983 biennium. Among them is a study on the use of Municipal Industrial Development Act bonds in the state, a study which will include an analysis of whether the use of MIDA bonds in the state has grown beyond its originally intended scope. Still another study will focus on the major federal, state and local taxes paid by North Dakotans.

The Commissioner's Division, having the ultimate responsibility for all policies of the Tax Department, undoubtedly will be dramatically affected by the plethora of changes in tax laws and procedures adopted in the 1979-1981 biennium. The Tax Commissioner is the public official responsible for administering and implementing each of the changes in the tax laws and for issuing, administering and monitoring all policies, rules and regulations related to those laws. One of the Tax Department's major goals in the 1981-1983 biennium is to ensure the new or amended tax laws are carried out smoothly and effectively.

Another major objective for the commissioner and the department in the 1981-1983 biennium is to lead the state's efforts to prevent national legislation designed to limit severance taxes which states may impose and to limit the methods states may use to tax multinational corporations. The Tax Department believes such nationally-imposed limits, for which there seems to be growing congressional support in recent years, would unfairly restrict states' rights, in addition to severly hampering the state of North Dakota's revenue-producing capabilities.

Yet another additional goal for the commissioner and the Tax Department in the 1981-1983 biennium is to conduct an analysis of the structure and impact of the state's motor fuels taxes.

With the transfer of the internal auditor to the Commissioner's Division in the 1981-1983 biennium, the staff of the division will increase to 18 full-time positions. In addition to the auditor, they include the tax commissioner and deputy commissioner, two administrative officers, a personnel officer and personnel assistant, a research analyst, two data processing coordinators, a data input supervisor, four data input operators, two secretaries and a clerk typist.

LEGAL DIVISION

The Legal Division provides legal advice and counsel to all divisions within the Tax Department and to the State Board of Equalization. The division's attorneys respond to inquiries by the Tax Commissioner, legislators, officials and citizens and prepare opinions on tax questions. They also assist in reviewing and drafting department administrative rules pursuant to the provisions of the Administrative Agencies Practice Act and are responsible for these rules being submitted to the Attorney General for approval and being filed with the Legislative Council.

During the North Dakota legislative session, the legal staff develops and drafts bills for the Tax Commissioner to be presented for consideration by the Legislature. At the end of the legislative session, the legal staff may interpret new or amended laws to aid the department in implementing those laws or assist the commissioner in issuing rules, regulations or policies regarding them.

Other responsibilities of the legal staff are to conduct formal hearings before the commissioner or his designated representative when requested by taxpayers, to prepare written decisions for the commissioner and to represent the Tax Department and the State Board of Equalization in litigation brought by or against either the department or the board.

The Legal Division includes five full-time positions: four attorneys and a secretary. The number of positions remains unchanged from the 1979-1981 biennium through the 1981-1983 biennium.

In the 1979-1981 biennium, the Legal Division handled more than 30 actual court cases that were brought against either the Tax Department or the State Board of Equalization. Also, the Tax Department, on the average, files about 10 legal cases a month against delinquent taxpayers.

One difficulty which might be expected for the Legal Division in the 1981-1983 biennium will be a growing demand for its advice and counsel on the administration of tax law changes approved in the 1979-1981 biennium, particularly those changes affecting the property tax system and oil and gas taxes. Another potential problem is one consistently noted throughout the entire legal system in recent years: an increaing tendency toward litigation by members of the public.

CONTROLLER'S DIVISION

The Controller's Division of the Tax Department consists of three sections: Accounting, Accounts Receivable and Staff Services.

Acting as the department's center for business transactions, the Accounting Section prepares requests for legislative appropriations and assists with biennial revenue estimates. This section also prepares the department's budget, analyzes and forecasts expenditures, and monitors and reports on budget performance. All tax payments made to the department are processed and recorded by this section, which also prepares reports and financial statements for management information and auditing purposes. All records maintained by the Accounting Section are subject to audits by the State Auditor's Office. In its audit report to the Tax Department issued July 21, 1981, the State Auditor's Office commended the Tax Department "for the excellent financial statements it prepared."

Through the 1979-1981 biennium, the Accounting Section was also responsible for internal audits within the Tax Department. However, on July 1, 1981, the start of the 1981-1983 biennium, internal auditing became an administrative function of the Commissioner's Division. A transfer of the department's internal auditor to the Commissioner's Division was informally recommended by the State Auditor's Office. A major reason behind the decision to shift the internal auditor to the Commissioner's Division was to allow the internal auditor greater independence in performing his duties. Under the move, the internal auditor now reports directly to the Tax Commissioner or his deputy, rather than to the head of a division which he may be requested to audit.

The Accounts Receivable Section is responsible for collecting delinquent taxes. Whenever any division of the Tax Department is unable to collect the tax which it is responsible for administering, the account is referred to this section for collection. Established procedures used for the collection of delinquent taxes include telephone and written communication with taxpayers and the mailing of final notices requesting payment of taxes. If necessary, this section may resort to civil or criminal legal action. It is the policy of the Accounts Receivable Section to initiate legal action only in those cases in which the taxpayer fails to respond to collection attempts. Taxpayers are always given ample notice and opportunity to comply with requests for payment of taxes.

One of the new major objectives of the Accounts Receivable Section in the 1981-1983 biennium will be to review automated accounts receivable programs and make adjustments required to implement changes in the interest rates on unpaid taxes. The change in interest rates on unpaid taxes results from legislation passed by the 1981 Legislature which provides uniform penalties for all tax types.

The Staff Services Section is responsible for providing mail service, central stenographic services and offset printing, and maintaining a central records area for the Tax Department. Centralizing these functions within the Controller's Division increases efficiency in the operation of the entire Tax Department.

In the 1979-1981 biennium, the Controller's Division included 31 full-time positions. With the transfer of the internal auditor to the Commissioner's Division, the Controller's Division will have only 30 full-time positions in the 1981-1983 biennium. Those positions include the controller, one accountant, one auditor, five tax collection officers, a tax collection supervisor, a tax auditor, three account technicians, two composing technicians, a duplicating machine operator and 15 clerks.

SALES AND SPECIAL TAXES DIVISION

The Sales and Special Taxes Division includes three sections: Sales and Use Tax, Motor Fuels and Miscellaneous Tax, and Estate Tax.

North Dakota imposes a state retail sales tax of 3 percent on the purchase price of most commodities, with food being the most notable exception, and a few taxable services. Farm machinery and irrigation equipment sales are subject to a sales tax of 2 percent. The tax is collected by businesses and remitted to the state.

Administering the sales tax is the principal function of the Sales and Use Tax Section, which monitors compliance with the sales tax law and conducts field audits. This section issues sales tax permits, revokes permits of those delinquent in reporting sales, and cancels permits issued to businesses which are no longer operating. When sales tax returns are filed, data from those returns is entered at the Tax Department and processed by computer at Central Data Processing. The section may grant or deny taxpayer requests for exemptions; conduct hearings and negotiate settlements; issue administrative tax rulings; provide guidelines, rules and regulations for retailers and other taxpayers; review compliance with sales and use tax regulations in out-of-state purchases; and inform the public of laws pertaining to sales and use taxes.

In the 1979-1981 biennium, the Sales and Use Tax Section conducted 1,499 field audits of both in-state and out-of-state establishments doing business in North Dakota. Those audits resulted in additional sales tax assessments of $5,565,996 and actual settlements of $3,078,998. In total, 36,157 man hours were involved in the sales tax field audits for the 1979-1981 biennium. Based on settlements, the return per audit man hour was $85.16. The Sales and Use Tax Section also conducts motor fuels tax audits and motor vehicle excise tax audits. In addition, the field auditors provide income tax assistance throughout the state during the income tax season.

A major objective of the Sales and Special Taxes Division in the 1981-1983 biennium will be to increase both the frequency and volume of sales tax field audits in two major areas.

First, the division aims to increase sales tax field audits in the energy industry, particularly because of rapidly increasing oil and natural gas development and the emergence of new energy-generating facilities in the state. Generally, supplies and materials used in the production of oil and gas and in the construction of the energy plants are subject to North Dakota's sales or use tax. Sufficient preliminary evidence indicates a number of out-of-state firms involved in the energy industry in North Dakota may not be totally in compliance with the state's sales tax laws. Increased field audits could lead to significant additional sales tax revenue for the state.

The second prime target of planned increases in sales tax field audits will be businesses in which the bulk of receipts are in cash. The Tax Department is concerned it may not be receiving a total report of all gross sales from such businesses. If so, the state may not be receiving sales tax revenue to which it is duly entitled. Again, the department anticipates increased field audits in the 1981-1983 biennium could mean significant additional assessments.

A second arm of the Sales and Special Taxes Division, the Motor Fuels and Miscellaneous Tax Section, is responsible for administering, collecting and auditing fuel taxes, special taxes and miscellaneous taxes.

North Dakota imposes a motor fuels tax of 8 cents per gallon on all sales of gasoline. It also imposes a special fuels tax on certain other motor fuels, primarily diesel fuel. The special fuels tax is 8 cents per gallon if it is for use in licensed vehicles or if it is sold to public contractors performing public-funded contracts. If the special fuels are sold for heating, agricultural, industrial or railroad purposes, the special fuels tax is 2 percent of the purchase price of those fuels. Licensed dealers of gasoline and other motor fuels remit motor fuels taxes, on a monthly basis, to the Motor Fuels and Miscellaneous Tax Section.

This section also administers the motor fuels tax refund program. The refunds apply only to the gasoline tax and to special fuels taxes which are levied at a rate of 8 cents per gallon. Refunds are granted only to certain consumers, namely political subdivisions and farmers and industrial users who use the fuel to which the tax was applied for off-highway purposes, such as agricultural and industrial use. Prior to the start of the 1979-1981 biennium, those consumers eligible for a refund were entitled to refunds up to the entire amount of the tax, or the full 8 cents per gallon.

However, the 1979 Legislature passed a law, which took effect July 1, 1979, reducing the amount of the refund to agricultural users to 7 7/8 cents per gallon. The 1/8 cent per gallon withheld from such refunds was to be used to fund a commission to promote the use of gasohol. For the Motor Fuels and Miscellaneous Tax Section, the amendment to the refund law necessiated changes in the design of the refund form and in the computer programming used to process claims.

The motor fuels tax refund law was again amended by the 1981 Legislature. Beginning July 1, 1981, the amount of the refund was further reduced by another full cent per gallon. This refund reduction applies not only to agricultural users but industrial users as well. The additional 1 cent per gallon withheld from refunds will be used to fund township roads and bridges. Again, refund program adjustments will require the Motor Fuels and Miscellaneous Tax Section to change the design of refund forms and re-adjust computer programming to process claims.

Other fuel taxes administered by this section include an importers-for-use tax collected quarterly from persons importing gasoline from other states for use in North Dakota, an aviation fuel tax levied on all sales of aviation gasoline and jet motor fuel, and a special fuel excise tax on heating fuels. This section also administers the aviation fuel tax refund program.

In addition to fuels taxes, the Motor Fuels and Miscellaneous Tax Section administers several miscellaneous taxes: a copyright tax on gross receipts from all sales, licenses and other depositions of performing rights of music; and a tobacco products tax.

Other functions of this section include interpreting tax regulations and issuing administrative rules; reviewing, issuing and revoking licenses and permits, and responding to taxpayer questions.

Still further, the Motor Fuels and Miscellaneous Tax Section requests and reviews field audits by the sales tax field audit staff to determine compliance with tax laws for which it is responsible. In the 1979-1981 biennium, field audits on motor fuels and special taxes totalled 2,613 audit man hours and resulted in $117,272 in additional tax collections. The return on the field audits equalled $44.88 per audit man hour. In addition, in-office audits on motor fuels and special taxes netted $44,375 in increased collections.

The third arm of the Sales and Special Taxes Division is the Estate Tax Section, which supervises North Dakota's tax on property transferred upon death. Major revisions to North Dakota's estate tax law by the 1979 Legislature considerably eased the complexities faced by this section. Under that legislation, which took effect March 16, 1979, North Dakota's estate tax is entirely contingent on credits which the federal government allows on federal estate taxes. Specifically, the federal government allows a credit for state estate taxes paid, a credit which is applied against the federal estate tax. North Dakota law now provides its state estate tax will be equal to but no more than the credit allowed on federal estate tax returns. In other words, the estate will pay no more in North Dakota estate tax than it would otherwise pay in additional taxes to the federal government.

Under the revised law, the attorney for the estate is required to give the Estate Tax Section a copy of the federal estate tax return, which is verified to assure the federal credit is properly computed. The section also maintains estate tax records, and informs the public about estate tax laws, policies and procedures.

Through the 1979-1981 biennium, the Sales and Special Taxes Division, and its Motor Fuels and Miscellaneous Tax Section in particular, also administered the state's taxes on oil and natural gas production. In the 1981-1983 biennium, however those oil and gas tax duties will be transferred to the Income Tax Division and its Corporate Income Tax Section.

From the birth of oil production in North Dakota in the early 1950s, the state had only one tax on oil and gas production. That tax, an oil and gas gross production tax of 5 percent of the value of the oil and gas at the wellhead, is collected quarterly from oil and gas producers or purchasers.

During the 1979-1981 biennium, however, oil production in North Dakota experienced a rebirth, and the Sales and Special Taxes Division assumed responsibility for implementing and administering a second tax on oil production: an oil extraction tax approved by state voters in an initiated measure in November, 1980. The oil extraction tax, applied against oil production only, is a 6.5 percent tax on the value of the oil at the wellhead.

Enactment of the oil extraction tax, which took effect January 1, 1981, necessitated changes in the oil and gas tax reporting forms so that both the oil and gas gross production tax and the oil extraction tax could be computed. Like the oil and gas gross production tax, the oil extraction tax is also administered quarterly to producers. Nevertheless, the two taxes are collected separately. Accounting for each tax is separate because their tax revenues are distributed differently under law, and different exemptions are allowed under each. The Tax Department certifies collections of each tax by county and forwards them to the State Treasurer's Office, which is responsible for distribution of revenues from each tax.

A main factor in the Tax Department's decision to transfer administration of oil and gas taxes to the Income Tax Division centered on the fact that those taxes have become and will continue to be major revenue producers for the state. Substantial auditing of such prime revenue producing taxes is essential. And auditing conducted by the Corporate Income Tax Section more closely fits the type of audits that will be required for oil and gas taxes. The Corporate Income Tax Section has long been auditing oil and gas companies as corporations, for example. Thus, the transfer of oil and gas tax duties represents an effort to both solidify auditing and streamline operations.

Until mid-1980, there had never been a full-time auditor assigned to oil and gas taxes, although an auditor for miscellaneous taxes had responsibilities for conducting occasional oil and gas tax audits. As revenues from oil and gas taxes began to increase dramatically, the Tax Department, in June of 1980, created two full-time auditing positions for oil and gas taxes by shifting other auditing positions within the Sales and Special Taxes Division. Further, the 1981 Legislature authorized two more full-time auditing positions for oil and gas taxes for the 1981-1983 biennium. It should be noted that the additional personnel provided by the Legislature, while welcome, are not sufficient to meet the added responsibility of collecting nearly $250 million in additional oil and gas tax revenues for the state in the 1981-1983 biennium.

Prior to the 1981-1983 biennium, no field audits on oil and gas taxes had ever been conducted. The Corporate Income Tax Section is launching the first field audits on oil and gas taxes in late 1981. It is expected that the results of those audits may lead to further efforts to increase the oil and gas tax auditing staff.

With the transfer of oil and gas taxes to the Income Tax Division in the 1981-1983 biennium, the staff of the Sales and Special Taxes Division will fall to 40 full- time positions. Transferred to the Income Tax Division will be two auditors and a clerk. The 40 remaining full-time positions in the Sales and Special Taxes Division include the sales and special taxes director, the supervisor of motor fuels and miscellaneous taxes, two compliance officers, a field inspector, 18 tax auditors and 17 clerks.

INCOME TAX DIVISION

The Income Tax Division, in the 1979-1981 biennium, was responsible for administering three principal taxes: the state's corporate and individual income tax, the business privilege tax, and the privilege tax on certain financial institutions.

Responsibility for administering those taxes has been split between the division's two sections, the Corporate Income Tax Section and the Individual Income Tax Section. Generally, both sections receive and process tax returns, perform audits, conduct cross-checks of federal tax returns with state returns and use other investigative means to identify nonfilers, investigate reasons for nonfiling, and enforce filing requirements. Each section also promulgates tax rules and regulations, issues administrative tax rulings, recommends tax law changes, redesigns tax forms and revises instructions to taxpayers to comply with statutory changes, and monitors litigation.

Each section also provides taxpayer assistance. A statewide toll-free telephone service is provided to answer questions and assist taxpayers in completing their individual income tax returns. Tax clinics are conducted to provide information on policy and legal changes affecting tax forms and filing requirements.

In the 1979-1981 biennium, the Corporate Income Tax Section was responsible for administering the state's income tax imposed on all corporations doing business in North Dakota. It also administered the state's business privilege tax, as it applied to all corporations and banks, trust companies, and building and loan associations doing business in the state. Further, it was responsible for administering a separate privilege tax, imposed in lieu of a state income tax, on all banks, trust companies, and building and loans doing business in the state.

The Corporate Income Tax Section conducts in-office and/or field audits of all corporations. Historically, however, the primary emphasis for field audits has been placed on the large multinational corporations doing business in the state. Because field audits are very time consuming and the size of the section's staff limits the number of audits which it can reasonably conduct, the Corporate Income Tax Section relies, in part, on a program of cooperation with the Multistate Tax Commission to perform field audits.

In the 1979-1981 biennium, the Corporate Income Tax Section's auditing staff conducted 70 field audits, nearly all of them on out-of-state corporations doing business in North Dakota. Those audits resulted in nearly $6.5 million in additional assessments, in both corporate income taxes and business privilege taxes. For the state, the cost-benefit ratio of field audits conducted by the section's staff was 26.6 to 1. That is, for every dollar the state invested in those audits, it received a return of $26.60.

Included in that $6.5 million was the largest single corporate income tax settlement in North Dakota's history, a $1.2 million settlement against an out-of-state corporation. The settlement, reached in February of 1981, was the culmination of a field audit launched nearly 10 months earlier.

Also in the 1979-1981 biennium, field audits conducted by the Multistate Tax Commission resulted in $1.3 million in additional collections for North Dakota. The state's cost for those audits was $75,000. Thus, North Dakota's rate of return on those audits was $17.50 for every dollar it invested.

The Individual Income Tax Section, in the 1979-1981 biennium, was responsible for administering the state's income tax on individuals, estates and trusts. It was also responsible for administering the state's business privilege tax as it applied to all individuals, estates, trusts and partnerships doing business in North Dakota.

Data from all individual and fiduciary income tax and business privilege tax returns is entered at the Tax Department and processed at Central Data Processing. The computers generate calculation worksheets which identify any returns requiring additional attention. Returns are reviewed, claims for refunds are verified and additional taxes due are computed and assessed.

The Individual Income Tax Section also performs in-office and field audits. Most audits conducted by this section are in-office, although field audits of employers' records are also conducted to monitor compliance with the state income tax withholding law. Federal audits and in-office audits conducted by this section in the 1979-1981 biennium netted nearly $2 million in additional assessments for individual income taxes.

For the Income Tax Division, the 1981-1983 biennium will mean dramatic changes, both in the division's organizational structure and in the taxes which it administers.

Foremost, the Income Tax Division, on July 1, 1981, will assume administration of the state's taxes on oil and natural gas production. With that, the division's name will be changed to the Income and Oil Taxes Division. The division's Corporate Income Tax Section, which will be responsible for oil and gas taxes in the 1981-1983 biennium, will be renamed the Corporate Income and Oil Taxes Section.

Through the 1979-1981 biennium, administration of oil and gas taxes had been the responsibility of the Tax Department's Sales and Special Taxes Division. The decision to transfer those taxes to the Income Tax Division was based principally on the fact that oil and gas taxes have become and clearly will continue to be major revenue producers for the state. A substantial increase in the auditing of those taxes was essential. Auditing historically conducted by the Corporate Income Tax Division more closely fits the type of auditing which will be required for oil and gas taxes.

Assuming administration of oil and gas taxes is not the only challenge facing the Income Tax Division in the 1981-1983 biennium. It also holds responsibility for smoothly and effectively implementing and administering major revisions in the state's corporate and individual income tax laws. In addition, the 1981-1983 biennium will mark the first full biennium in which the business privilege tax is no longer in effect.

Here's a closer examination of challenges facing the Income Tax Division in the 1981-1983 biennium:

OIL AND GAS TAXES:

The Corporate Income Tax Section will assume administration of the state's two-tiered tax structure on oil production: the oil and natural gas gross production tax and the oil extraction tax. The gross production tax, enacted in the 1950s, is a tax of 5 percent of the value of oil and gas at the wellhead. The extraction tax, which took effect January 1, 1981, under an initiated measure passed by voters in November of 1980, is a 6.5 percent tax on the value of oil at the wellhead. The extraction tax is applied against oil only. Both the oil and gas gross production tax and the oil extraction tax are collected quarterly from producers and purchasers. However, the two taxes are collected and accounted for separately because their revenues, under the law, are distributed differently. For each tax, collections, by county, are certified and then forwarded to the State Treasurer's Office, which is entrusted with the distribution of revenues from each tax.

A prime objective in the 1981-1983 biennium is to undertake an extensive and successful field auditing program for oil and gas taxes. The Tax Department will begin its first extensive field audit for oil and gas taxes in the fall of 1981. Prior to implementing its own oil and gas field auditing program, the Tax Department entered into a cooperative agreement with the state of Texas under which North Dakota auditors will be given the opportunity to examine the Texas oil and gas auditing programs, procedures and actual audit results. Benefits from such a program should be two-fold for North Dakota. First, it will provide essential training and experience for North Dakota auditors. Second, information gleaned from Texas audits should provide the North Dakota Tax Department with strong leads for its own oil and gas tax auditing program.

CORPORATE INCOME TAX:

The 1981 Legislature, in response to a projected increase in overall state tax revenues resulting mainly from the new oil extraction tax, enacted a major reduction in state corporate income taxes. The new corporate tax law which takes effect in taxable year 1981, will provide substantial tax relief. Under the new law, actual tax rate percentages were reduced and the income ranges of the five tax brackets were increased. Beginning in taxable year 1981, the top corporate income tax bracket will have a tax of $2,390 plus 7 percent of the taxable income over $50,000. Under the old law, the top corporate income tax bracket applied a tax of $1,240 plus 8.5 percent of the taxable income over $25,000.

A major objective of the Corporate Income Tax Section in 1981-1983 biennium, in addition to assuring the corporate income tax revision is implemented and administered effectively, is to increase its efforts to enforce compliance with corporate income tax laws, particularly with respect to out-of-state corporations involved in the energy industry in North Dakota.

INDIVIDUAL INCOME TAX:

Enactment of the oil extraction tax by the voters and passage of major tax relief programs by the 1981 Legislature will mean massive adjustments in the state's individual income tax system, effective for tax year 1981.

First, the initiated oil tax measure included a provision allowing energy cost relief credits to all individual income taxpayers. The credit, which will be allowed annually and will first appear on state income tax forms for tax year 1981, will enable taxpayers to deduct up to $100 from their state income tax liability. The credit is nonrefundable, and it may not be carried over from one year to another. The credit is also available to estate and trust income taxpayers.

Second, the 1981 Legislature approved simplified, optional procedures for individual taxpayers to compute their state income tax liabilities. Under this optional, short form method which takes effect in tax year 1981, taxpayers may multiply their federal income tax liabilities before credits by 7.5 percent to determine their state income tax liabilities. Individuals opting to use this short form method will also be eligible for an energy cost relief credit of up to $100. Again, estate and trust income taxpayers are allowed the same options.

New legislation approved by the 1981 Legislature will also provide substantial tax relief for individuals who compute their state income taxes on standard long forms. Most importantly perhaps, the Legislature updated provisions of the state income tax codes to recognize the Internal Revenue Code as of December 31, 1980. This federalizing of state income tax forms will mean a savings for individual taxpayers. Beginning in tax year 1981, personal exemptions will be increased from $750 to $1000, capital gains exclusions will be increased from 50 percent to 60 percent, and deductions for individual taxpayers will be increased from what previous state law allowed.

Other individual income tax law changes, effective in tax year 1981, will:

Increase deductions for landowners who sell or rent their land to beginning farmers.

Allow deductions for business owners who sell or rent revenue-producing properties to beginning businessmen.

Increase credits for charitable contributions to certain nonprofit private educational institutions.

Allow state income tax deductions for certain interest income.

Expand credits previously allowed for solar and wind energy systems to include geothermal energy systems. The credit was also extended from two years to three years.

BUSINESS PRIVILEGE TAX:

The business privilege tax was enacted in 1970 and was intended to replace part of the revenues lost through the repeal of the personal property tax. The tax was applied on all corporations, individuals, estates, trusts, and partnerships, doing business in the state. It was also applied on all banks, trust companies and building and loan associations doing business in the state.

For corporations and individuals, the business privilege tax was a tax of 1 percent on all taxable income. For banks, trust companies and building and loan associations, the business privilege tax was 2 percent on all taxable income.

The 1979 Legislature passed legislation repealing the business privilege tax on corporations, individuals, estates, trusts and partnerships a repeal which took effect for tax years beginning January 1, 1981. The 2 percent business privilege tax on banks, trust companies and building and loan associations was not repealed, however. Nor did the repeal affect the additional 5 percent privilege tax which is imposed on banks, trust companies and building and loans in lieu of state income taxes.

For the Tax Department's Corporate and Individual Income Tax Sections, the repeal meant no new business privilege taxes were imposed or will be imposed upon corporations, individuals, estates, trusts or partnerships for any tax years beginning after January 1, 1981. Both sections, however, will continue to collect and audit for any delinquent business privilege taxes. In addition, the Corporate Income Tax Section will continue to administer both the 2 percent business privilege tax and the 5 percent privilege tax applied against banks, trust companies and building and loan associations.

In the 1979-1981 biennium, the staff of the Income Tax Division included 24 full-time positions: an income tax director, a corporate taxes supervisor, an individual income tax supervisor, a compliance officer, 13 tax auditors, and 7 clerks. With the transfer of oil and gas taxes to the Income Tax Division, its staff will increase to 29 full-time positions in the 1981-1983 biennium. The five additional positions include two oil and gas tax auditors and a clerk transferred from the Sales and Special Taxes Division and two new oil and gas tax auditors authorized by the 1981 Legislature.

PROPERTY AND UTILITY TAX DIVISION

The property tax is a major source of revenue for financing county, city and township government. While local government units have the responsibility of assessing and taxing all classes of real property, the State Tax Department provides assistance to local government units to assure that the property tax is administered equitably throughout the state.

The Property Tax Division, under the direction of the State Supervisor of Assessments, works with local government to maintain equalization of property assessments between the various counties in North Dakota. To assure property tax equalization, the division performs annual sales ratio studies, which compare true and full value of real estate with the sale price of property. If significant assessment variations exist between counties, steps are taken by the State Board of Equalization to equalize those assessments.

The Homestead Credit and Renter Refund Program is also administered by the Property Tax Division. Under this state-funded program, qualifying senior citizens and totally and permanently disabled persons receive a reduction of their property tax assessment or a partial refund of annual rent paid. The total amount of revenue lost to the counties by this reduction is reimbursed to them from the state general fund.

With the repeal of the personal property tax in 1969, a source of local revenue was lost. To offset that loss, replacement monies from the state general fund are appropriated by the Legislature for distribution among the various political subdivisions, excepting schools. This personal property tax reimbursement program is administered by the Property Tax Division.

The division also conducts seminars for local government officials to improve administration of the property tax and holds property tax appraisal schools for assessors and other local tax officials. Tax statutes are interpreted, legal questions are reviewed and analyzed, and information concerning changes in law or policy affecting property taxation is disseminated. The division acts as the liaison between local property tax administrators and state officials. While it does not directly administer the property tax, the division functions as a statistical and informational resource center of communications between all levels of government to maintain efficiency, promote uniformity, and achieve equalization within the property tax system.

Assisting the Tax Commissioner and the State Board of Equalization in making valuations of utility property for property tax purposes is the Utilities Tax Section. Most real property is assessed by local government. However, the property of railroads, airlines, and public utilities such as electric and gas companies, and telephone companies, is assessed at the state level. After the Utilities Tax Section has completed its tentative valuations, the State Board of Equalization sets the final assessed valuations. The section then certifies to each county auditor the value placed on the utility property located within that county, and the tax is administered and collected by the local governments.

Another responsibility of the Utilities Tax Section is administering the state severance tax on coal and the coal conversion privilege tax on electrical generating plants and coal gasification plants. The section audits reports of collections of these energy-related taxes, although the actual tax collections are made by the Controller's Division. The Utilities Tax Section also prepares reports on the collection of these taxes and information for revenue distribution by the State Treasurer's Office, which is responsible for allocating revenue from these taxes between the state, the producing counties, the State Energy Development Impact Office and a permanent Coal Development Trust Fund.

Changes in tax laws approved by the 1981 Legislature, as well as new valuation methods based upon the statutes, and adopted by the Tax Department, will mean additional functions and objectives for the Property Tax Division in the 1981-1983 biennium.

Foremost, the Property Tax Division will bear the increased responsibility of monitoring a new property tax system approved by the 1981 Legislature, a system which will include legal, rather than defacto, property classification for assessment purposes and the use of agricultural productivity as a factor in determining the value of farmland. The division will also implement new methods of valuing centrally assessed property, such as railroads and utilities. The new methods of valuing centrally assessed property resulted from an administrative decision of the Tax Commissioner in the 1979-1981 biennium and were adopted by the State Board of Equalization.

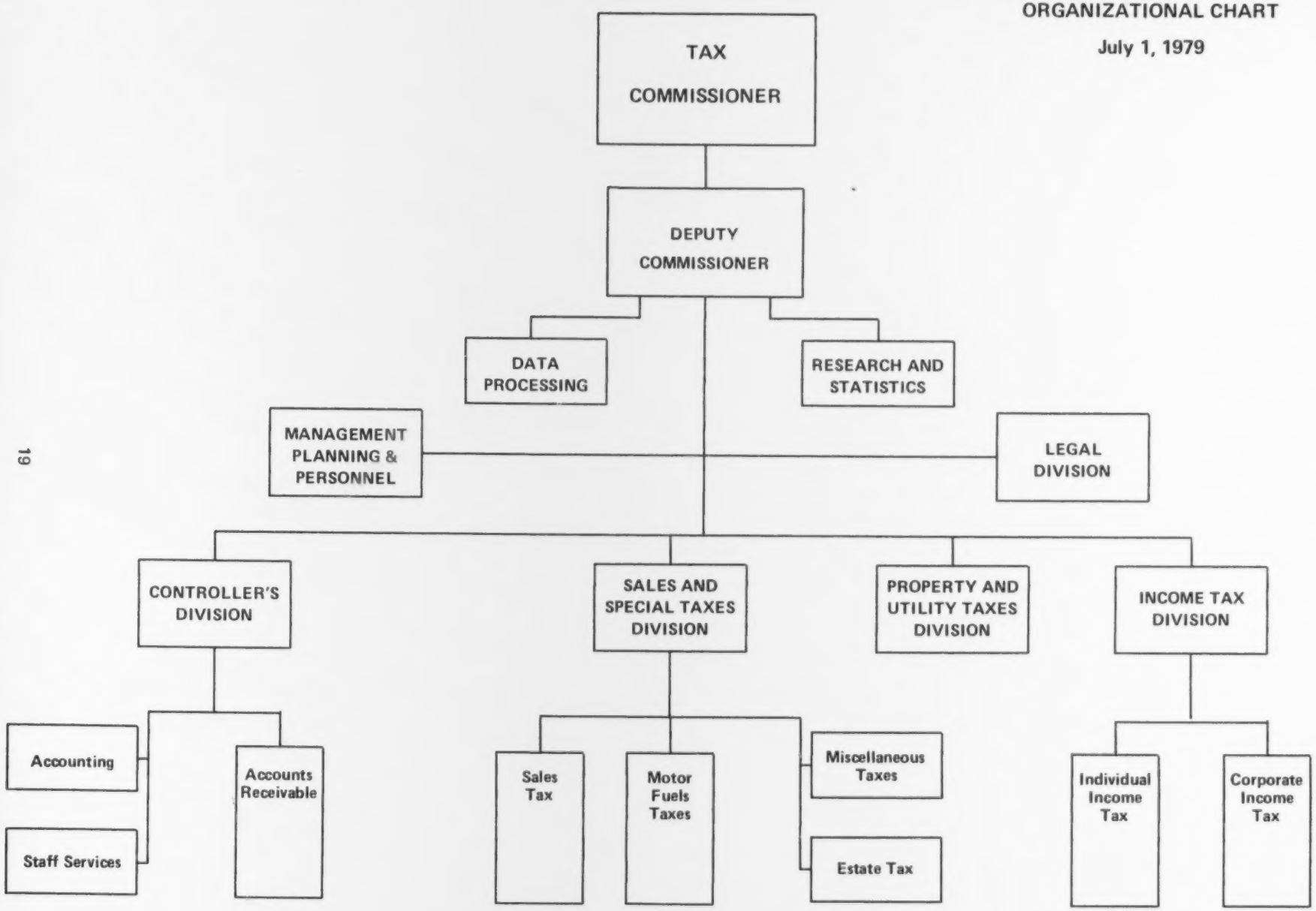
Also in the 1981-1983 biennium, the division will assume the new function of annually certifying to county directors of tax equalization in each of the state's 53 counties the average true and full agricultural value of farmland, as determined by North Dakota State University. Further, the division will be increasingly involved in the sales ratio study as a result of new legislation requiring certificates of full consideration paid for property to be forwarded to the State Board of Equalization for processing. Again, the Legislature provided a vastly increased workload for the Tax Department with no additional resources to meet the added responsibility. The Tax Department is receiving thousands of certificates of full consideration with no personnel to process those certificates.

The Property Tax Division will also be responsible for administering an expanded Homestead Credit Act program. As a result of amendments to the Homestead Credit Act approved by the 1981 Legislature, credits will be allowed not only against real property tax assessments but against special assessments as well. Beginning January 1, 1982, qualified applicants may apply for the credit against special assessments. Credits allowed for special assessments become a lien on the property.

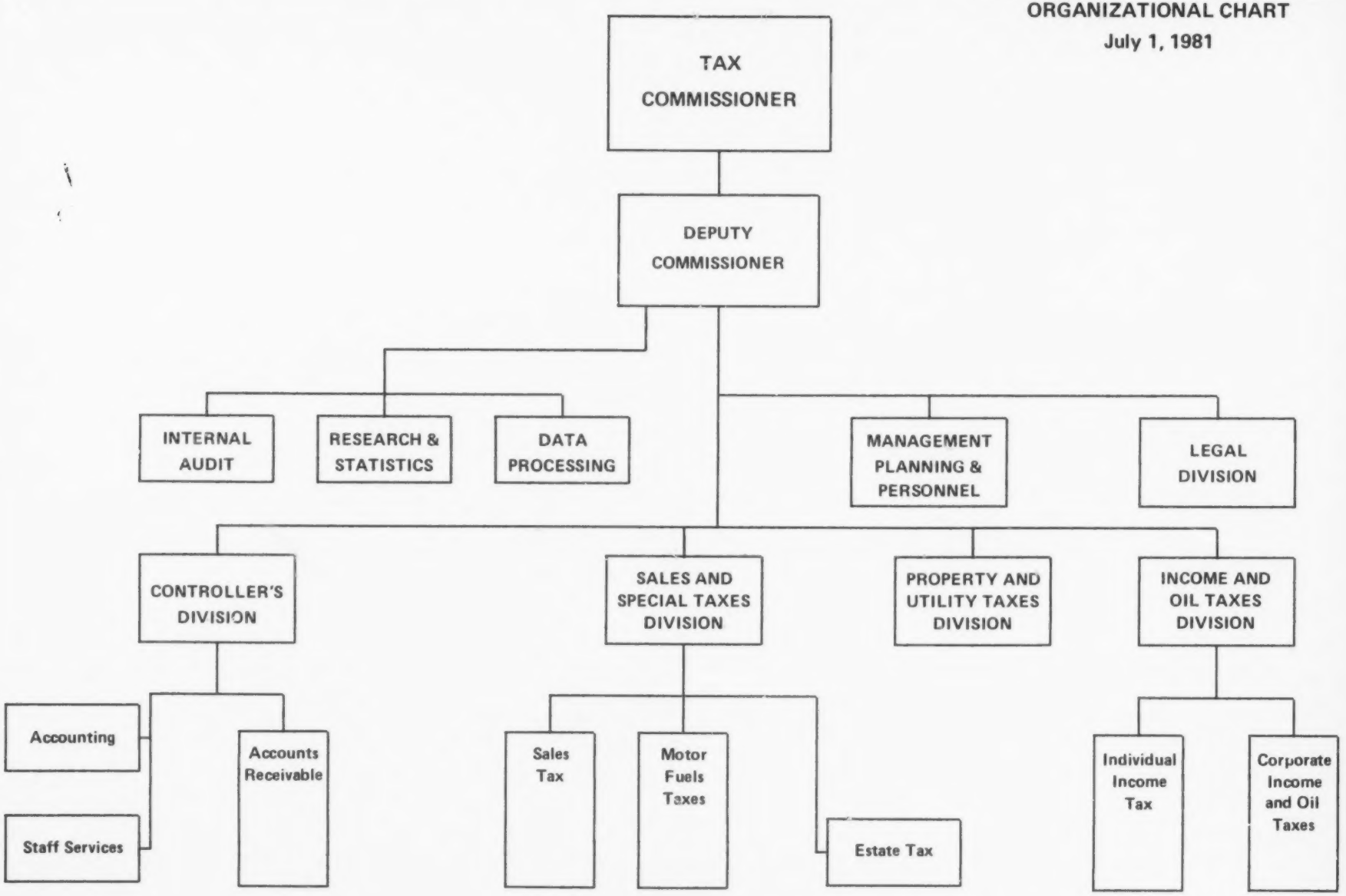
The staff of the Property and Utility Tax Division, in both the 1979-1981 and 1981-1983 bienniums, includes five full-time positions: the state supervisor of assessments and a deputy supervisor, a property tax appraiser, a tax auditor, and a clerk.

NORTH DAKOTA TAX DEPARTMENT
ORGANIZATIONAL CHART

July 1, 1979



NORTH DAKOTA TAX DEPARTMENT
ORGANIZATIONAL CHART
July 1, 1981



TAX COLLECTIONS

An analysis of gross tax collections by the Tax Department in the 1979-1981 biennium reveals two major themes. First, and perhaps most importantly, taxes on oil and natural gas production took spectacular steps toward assuming a dominant position among taxes collected by the Tax Department. Second, total tax collections by the department increased dramatically, an increase which can be attributed, in large part, directly to the rise in collections of oil and gas taxes.

Total gross tax collections by the department in the 1979-1981 biennium reached $728.7 million, an increase of over $174 million from the 1977-1979 biennium's total gross collections of $554.5 million. That represents an increase of 31.4 percent, an unusually large percentage increase in total collections. Total gross collections increased only 9.9 percent from the 1975-1977 biennium to the 1977-1979 biennium, for example.

Accounting for more than half of that $174 million increase in total gross collections in the 1979-1981 biennium was the rise in gross collections of oil and gas taxes. In the 1977-1979 biennium, gross collections of oil and gas taxes stood at only $24.3 million. In the 1979-1981 biennium, gross collections of oil and gas taxes spiralled to $117.2 million, an increase of almost $93 million.

Several factors fueled the hefty rise in oil and gas tax collections. Most important was an increase in oil prices resulting from the federal government's decision to lift federal price controls on domestically produced crude oil and an increase in oil prices on world markets. A second factor contributing to the rise in oil and gas tax collections was an increase in oil production in North Dakota in the 1979-1981 biennium. Also, gross collections of oil and gas taxes in the 1979-1981 biennium include $23.7 milion collected from the new oil extraction tax, which took effect January 1, 1981.

Another major contributor to the dramatic increase in overall tax collections in the 1979-1981 biennium was a substantial increase in gross collections of sales tax. Gross sales tax collections in the 1979-1981 biennium totaled $224.8 million, an increase of $45.3 million, or 25.2 percent, from the 1977-1979 biennium. The increase in sales tax collections can be attributed partly to increased retail prices caused by inflation. However, it is also a reflection of higher disposable income in the state as well as major purchases by a growing energy industry in North Dakota.

Still another major contributor to the increase in overall tax collections in the 1979-1981 biennium was a healthy increase in gross collections of individual and corporate income taxes. Gross income tax collections in the 1979-1981 biennium totaled $187 million, an increase of $17.3 million, or 10.2 percent, from the previous biennium. Pinpointing the specific factors which sparked the increase in income tax collections is difficult. Obviously, however, it reflects a rise in overall income in the state, a result of both real and inflationary growth. The increase in income tax collections would have been considerably higher in the 1979-1981 biennium if individual income tax rates had not been significantly reduced under an initiated measure, which took effect in taxable year 1978.

Together, the increases in oil and gas, sales and income tax collections accounted for $155.6 million, or 89 percent, of the $174.2 million increase in total gross tax collections by the Tax Department in the 1979-1981 biennium.

Also contributing to the increase in overall collections was a second energy-related tax, the state's coal severance tax. Gross collections of coal severance taxes in the 1979-1981 biennium totaled $30.1 million, an increase of $10.2 million, or 52 percent, from the 1977-1979 biennium. The increase in coal severance tax collections reflects an increase in severance tax rates as well as increased production of coal. Coal production in North Dakota rose from 27.0 million tons reported in the 1977-1979 biennium to 33.1 million tons reported in the 1979-1981 biennium.

Historically, sales taxes have been ranked as the No. 1 source of gross tax collections by the Tax Department. Income taxes have been ranked No. 2. They retained their respective positions in the 1979-1981 biennium but it is almost certain each will drop a notch in the 1981-1983 biennium.

Oil and gas taxes are projected to become the No. 1 source of gross tax collections by the Tax Department in the 1981-1983 biennium. That projection is fueled by increases in both the price of oil on worldwide markets and the production of oil in the state. Also, the new oil extraction tax, complementing the oil and gas gross production tax, will be in its first full biennium of effect. Oil and gas taxes' rise to prominence was foreshadowed in the 1979-1981 biennium, when they became the No. 3 source of gross tax collections by the Tax Department, up two notches from a No. 5 ranking in the previous biennium.

Combined, the sales, income and oil and gas taxes accounted for 73 percent of the total gross tax collections by the department in the 1979-1981 biennium. Gross collections of sales taxes represented 30.9 percent of the department's total tax collections, down from 32.4 percent in the 1977-1979 biennium. Gross collections of income taxes accounted for 25.7 percent of the department's total tax collections, down from 30.6 percent in the 1977-1979 biennium. Gross collections of oil and gas taxes accounted for 16.1 percent of the department's total tax collections, a dramatic increase from 4.4 percent in the 1977-1979 biennium.

With the sudden emergence of oil and gas taxes, motor vehicle fuels and special fuels taxes, which represented the No. 3 source of the department's gross tax collections in the 1977-1979 biennium, dropped a notch to No. 4 in the 1979-1981 biennium. Gross collections of motor vehicle fuels and special fuels taxes totaled $87.6 million in the 1979-1981 biennium, up over $1.0 million from the previous biennium.

Moving into the No. 5 slot in the 1979-1981 biennium were collections of the coal severance tax, which moved up a notch from the previous biennium. Falling to the No. 6 position in the 1979-1981 biennium were collections of motor vehicle excise and use taxes, ranked No. 4 in the previous biennium. Gross collections of motor vehicle excise and use taxes actually increased $1.8 million to a total of $28.7 million in the 1979-1981 biennium, however.

Historically, the North Dakota Tax Department has had one of the best cost versus return ratios of any state tax department in the nation. Its cost-return ratio in the 1979-1981 biennium was better than ever. In that two-year period, the Tax Department showed expenditures of $6,006,935.15 versus total gross tax collections of $728,744,195.43. That means that for every dollar the tax department spent, it collected $121. Viewed from another perspective, it means that the Tax Department spent less than a penny, just eight-tenths of a cent, for every dollar it collected.

NORTH DAKOTA STATE TAX DEPARTMENT
GROSS MONTHLY COLLECTIONS BY TAX COMMISSIONER
July 1, 1979 - June 30, 1981

	Sales & Use Tax	Income Tax[1]	Cig. Tax & Tob. Tax	Gross Prod. & Oil Extraction[2]	Coal Severance	Sales & Use Tax Cash Bond	Motor Vehicle Use Tax (MVF)	Motor Vehicle Excise & Use Tax (GF)	Estate Tax	Miscellaneous Collection[3]	Coal Conversion Facilities & Transmission Line Tax	Motor Vehicle Fuel Tax	Special Fuel Tax	Bus. & Corp. Privilege Tax	M.F. License Fees Tax	M.F. Tax Cash Bond	Totals
July, 1979	$ 5,163,756.29	$ 4,351,290.08	$ 989,189.64	$ 27,584.74	$ 61,781.69	$ 2,000.00	$ 101,833.99	$ 1,360,471.21	$ 390,060.82	$ 1,004.76	$ 0	$ 3,038,274.11	$ 1,239,050.13	$ 418,098.21	$ 134.00	$ 0	$ 17,144,529.67
August	20,274,569.94	4,537,076.77	800,551.54	4,564,475.14	3,010,654.96	3,500.00	150,176.45	1,275,967.94	270,525.15	8,026.21	561,334.93	3,053,816.01	1,113,673.54	291,974.00	28.00	500.00	39,916,850.58
September	737,804.10	6,511,965.42	813,507.12	27,313.17	0	0	109,419.58	1,429,362.05	278,619.00	473.00	0	1,872,829.68	490,064.47	718,432.30	8.00	0	12,990,297.89
October	6,607,075.15	7,382,938.52	862,855.22	37,427.03	59,331.08	7,250.00	79,028.42	1,087,502.01	288,551.57	1,803.80	130,946.25	3,869,574.70	1,517,155.10	568,312.93	4.00	0	22,499,755.78
November	23,159,379.05	4,447,255.99	777,624.85	6,055,507.95	3,061,762.05	3,750.00	112,634.05	1,456,371.59	211,257.17	10,262.26	618,187.50	3,120,374.62	1,485,431.48	200,159.40	10.00	0	44,719,967.96
December	639,565.26	1,317,463.14	688,797.89	228,938.11	0	0	106,634.53	1,231,939.83	152,784.88	142.64	0	2,217,590.43	1,075,165.04	177,630.57	0	0	7,836,652.32
January, 1980	6,874,037.66	5,489,883.95	792,350.29	68,413.41	9,056.11	1,500.00	69,810.35	893,047.47	212,477.26	1,100.75	0	2,736,630.41	1,282,713.77	281,903.40	10.00	0	18,712,934.83
February	22,659,547.79	7,196,967.38	736,059.27	7,319,030.92	3,892,912.45	1,500.00	92,289.42	1,190,544.76	148,396.93	7,841.79	780,666.75	2,103,718.57	1,245,741.81	811,155.84	4.00	0	48,186,377.68
March	860,168.04	7,377,557.05	560,644.89	453,484.48	0	500.00	63,614.17	932,867.21	256,447.14	19,358.76	0	2,145,296.20	1,088,704.45	1,666,087.80	4.00	4,000.00	15,428,734.19
April	1,341,679.31	12,819,986.74	699,624.95	122,672.79	149,913.22	0	98,004.47	999,415.58	236,374.90	362.69	0	1,053,224.58	593,138.76	3,064,138.93	0	0	21,178,536.92
May	20,118,253.12	21,188,253.93	1,021,521.68	10,342,552.59	3,994,345.18	0	91,165.07	966,269.15	161,856.43	9,241.36	822,878.00	2,208,237.68	1,205,660.74	1,263,557.41	6.00	0	63,394,398.34
June	597,968.42	4,184,545.11	867,210.03	439,563.20	0	500.00	82,223.56	997,076.88	185,508.52	197.04	245,129.00	3,596,052.29	1,489,989.36	1,135,391.60	8.00	0	13,821,363.01
Totals FY 1979-80	$109,033,804.13	$ 86,805,184.08	$9,609,937.37	$29,686,963.53	$14,240,356.74	$20,500.00	$1,156,834.06	$13,820,835.68	$2,792,859.77	$59,815.06	$3,159,142.43	$31,015,619.28	$13,826,488.65	$10,597,342.39	$216.00	$4,500.00	$325,830,399.17
July, 1980	$ 5,793,856.47	$4,704,680.29	$ 852,259.66	$ 364,576.03	$ 74,238.26	$ 500.00	$ 70,329.67	$ 913,437.14	$245,023.42	$ 1,146.76	$ 0	$ 2,763,488.10	$ 1,263,915.04	$ 426,537.92	$ 10.00	$ 0	$ 17,473,998.76
August	21,012,639.60	5,540,664.58	834,527.90	12,938,934.62	3,391,530.74	300.00	91,712.19	992,928.30	73,699.68	9,157.41	572,398.00	2,445,526.19	996,851.46	286,360.81	10.00	0	49,187,241.48
September	729,260.66	8,016,095.50	861,023.45	126,568.17	0	2,250.00	85,847.49	1,003,459.01	176,658.69	254.97	0	2,086,237.09	702,740.74	1,099,851.14	4.00	0	14,890,250.91
October	7,690,427.57	10,301,577.57	862,450.03	123,874.14	877,910.00	750.00	95,080.64	1,024,521.03	287,523.60	3,901.65	0	3,595,169.58	1,718,384.73	834,994.54	8.00	0	27,416,573.08
November	20,906,081.87	5,541,431.68	794,485.05	14,289,381.67	2,762,539.89	1,000.00	100,637.37	1,110,080.24	155,607.25	9,937.34	752,567.75	1,343,432.03	511,442.97	276,668.85	8.00	0	48,555,301.96
December	1,457,784.34	1,769,460.03	728,498.76	36,910.36	0	1,000.00	74,428.84	934,836.50	132,387.64	281.23	0	2,791,832.23	1,403,600.34	279,924.65	8.00	0	9,610,952.92
January, 1981	5,972,284.73	5,380,774.46	786,229.82	208,522.44	33,797.60	4,500.00	75,436.61	1,002,747.56	122,928.91	1,441.08	0	3,205,621.48	1,758,270.87	289,137.15	2.00	0	18,841,694.71
February	25,991,128.18	7,885,099.81	614,913.73	14,251,161.08	4,191,865.59	750.00	112,476.40	1,062,386.95	179,234.79	9,194.74	880,068.25	1,447,888.25	769,383.05	617,051.62	8.00	0	58,012,610.44
March	863,128.01	7,923,843.78	856,131.58	690,949.79	0	0	93,438.17	881,512.56	323,032.89	160.52	0	2,833,848.89	1,741,275.87	1,712,012.20	12.00	0	17,919,346.26
April	3,153,177.42	19,855,121.00	770,708.40	13,425.00	41,352.13	300.00	100,497.01	1,266,336.63	279,342.17	23,686.77	0	1,255,274.67	614,688.50	3,303,240.84	376.00	0	30,677,526.54
May	21,337,119.65	18,870,524.20	884,849.28	42,574,995.79	4,456,317.08	250.00	127,807.90	1,272,986.76	334,186.15	9,385.08	831,989.00	2,692,265.14	1,582,573.55	1,390,177.82	364.00	4,000.00	96,369,791.40
June	885,486.84	4,383,819.10	878,601.88	1,940,098.02	0	700.00	123,121.92	1,100,368.27	207,516.22	248.93	306,013.50	2,135,624.63	1,062,616.28	933,874.21	418.00	0	13,958,507.80
Totals FY 1980-81	$115,792,375.34	$100,173,092.00	$9,724,679.54	$87,559,397.11	$15,829,551.29	$12,300.00	$1,150,814.21	$12,565,600.95	$2,517,141.41	$68,796.48	$3,343,036.50	$28,596,208.28	$14,125,743.40	$11,449,831.75	$1,228.00	$4,000.00	$402,913,796.26
BIENNIUM TOTALS	$224,826,179.47	$186,978,276.08	$19,334,616.91	$117,246,360.64	$30,069,908.03	$32,800.00	$2,307,648.27	$26,386,436.63	$5,310,001.18	$128,611.54	$6,502,178.93	$59,611,827.56	$27,952,232.05	$22,047,174.14	$1,444.00	$8,500.00	$728,744,195.43

[1]The Income Tax collections for fiscal year ended June 30, 1980, includes $3,928.43 in Vietnam Bonus Surtax collections. For fiscal year ended June 30, 1981, $5,453.13 was collected in Vietnam Bonus Surtax.

[2]O.I Extraction Tax became effective 1-01-81. Total extraction tax collections of $23,651,851.00 are included in May and June, 1981, collections.

[3]Includes Music and Composition Tax and City Occupancy Tax.

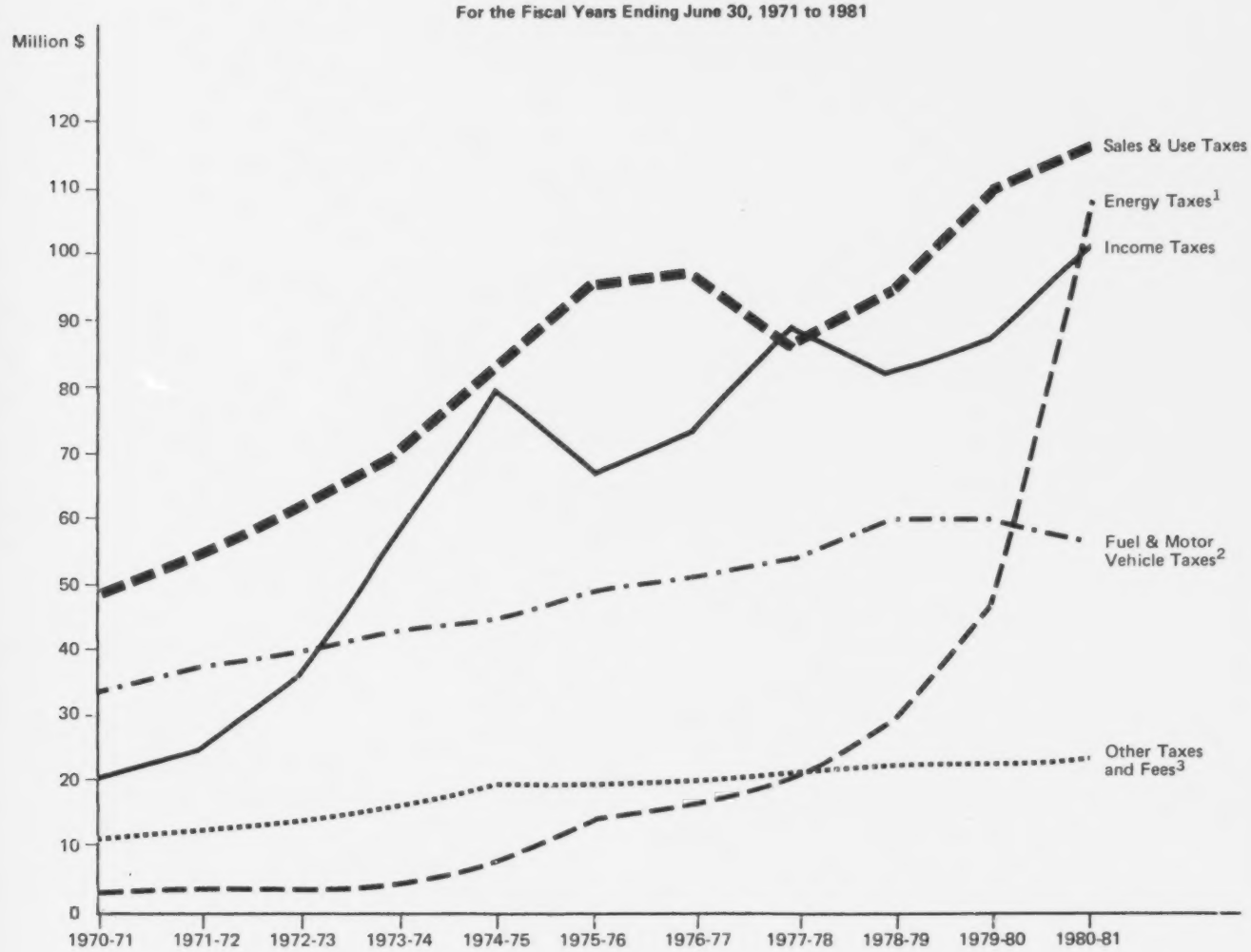
SOURCE: Comparative Statement of Collections, North Dakota State Tax Department
Motor vehicle fuel and special fuel tax data from Motor Fuels Section

NORTH DAKOTA STATE TAX DEPARTMENT
COMPARATIVE STATEMENT OF CHANGES IN COLLECTION DATA
FOR THE BIENNIUM ENDING 6-30-81

DESCRIPTION	1979-1980 GROSS COLLECTIONS	1979-1980 REFUNDS	1979-1980 NET COLLECTIONS	1980-81 GROSS COLLECTIONS	1980-81 REFUNDS	1980-81 NET COLLECTIONS	Net Increase (Decrease)	% Increase (Decrease)
Sales & Use Tax	$109,033,804.13	$ 322,448.08	$108,711,356.05	$115,792,375.34	$ 153,468.98	$115,638,906.36	$ 6,927,550.31	6.4
Motor Vehicle Use Tax (50% GF)	1,156,833.97	0	1,156,833.97	1,150,814.18	0	1,150,814.18	(6,019.79)	(.5)
Motor Vehicle Excise Tax	12,664,001.71	175,251.49	12,488,750.22	11,414,786.77	141,767.46	11,273,019.31	(1,215,730.91)	(9.7)
Income Tax:								
Individual & Withholding Income Tax	60,099,056.08	6,755,000.00*	53,344,056.08	69,315,467.09	6,900,000.00*	62,415,467.09	9,071,411.01	17.0
Corporate Income Tax	26,702,199.57	750,000.00*	25,952,199.57	30,852,171.78	1,100,000.00*	29,752,171.78	3,799,972.21	14.6
Business & Corporation Privilege Tax	10,597,342.39	200,000.00*	10,397,342.39	11,449,831.75	250,000.00*	11,199,831.75	802,489.36	7.7
Cigarette Tax (3¢ for cities)	2,343,100.75	0	2,343,100.75	2,370,835.17	0	2,370,835.17	27,734.42	1.2
Cigarette Tax (9¢ for General Fund)	7,051,686.22	0	7,051,686.22	7,112,505.09	0	7,112,505.09	60,818.87	.9
Tobacco Tax	215,150.40	0	215,150.40	241,339.28	0	241,339.28	26,188.88	12.2
Gross Production Tax	29,686,963.53	85,118.83	29,601,844.70	63,907,582.11	153,173.00	63,754,409.11	34,152,564.41	115.4
Oil Extraction Tax	0	0	0	23,651,815.00	0	23,651,815.00	23,651,815.00	100.0
Coal Severance Tax	14,240,356.74	0	14,240,356.74	15,829,551.29	0	15,829,551.29	1,589,194.55	11.2
Motor Vehicle Use Tax (50% MVF)	1,156,834.06	0	1,156,834.06	1,150,814.21	0	1,150,814.21	(6,019.85)	(.5)
Estate Tax	2,792,859.77	48,205.83	2,744,653.94	2,517,141.41	0	2,517,141.41	(227,512.53)	(8.3)
Miscellaneous Remittances	2,969.24	0	2,969.24	2,179.99	0	2,179.99	(789.25)	(26.6)
Privilege Tax on Coal Conversion Facilities	2,914,013.43	0	2,914,013.43	3,037,023.00	0	3,037,023.00	123,009.57	4.2
Transmission Line Tax	245,129.00	0	245,129.00	306,013.50	0	306,013.50	60,884.50	24.8
Music and Composition Tax	19,050.52	0	19,050.52	22,509.65	0	22,509.65	3,459.13	18.2
Sales & Use Cash Bonds	20,500.00	24,992.00	(4,492.00)	12,300.00	13,700.00	(1,400.00)	3,092.00	68.8
City Occupancy Tax	37,795.30	0	37,795.30	44,106.84	0	44,106.84	6,311.54	16.7
Fuel Dealers Fee	216.00	0	216.00	1,228.00	0	1,228.00	1,012.00	468.5
Motor Vehicle Fuel Tax	31,015,619.28	4,250,727.10*	26,764,892.18	28,596,208.28	3,619,193.88*	24,977,014.40	(1,787,877.78)	(6.7)
Special Fuel Tax	13,826,488.65	1,000,000.00*	12,826,488.65	14,125,743.40	950,000.00*	13,175,743.40	349,254.75	2.7
Motor Fuel Tax – Cash Bond Fund	4,500.00	4,000.00	500.00	4,000.00	1,400.00	2,600.00	2,100.00	420.0
Vietnam Bonus Surtax	3,928.43	0	3,928.43	5,453.13	0	5,453.13	1,524.70	38.8
Undistributed Income Tax and Vietnam Bonus Surtax Collections	0	0	0	0	0	0	0	0
Total Collections	$325,830,399.17	$13,615,743.33	$312,214,655.84	$402,913,796.26	$13,282,703.32	$389,631,092.94	$77,416,437.10	24.8

*Represents amounts transferred to refund reserve – not actual refunds.

NORTH DAKOTA STATE TAX DEPARTMENT
TRENDS IN GROSS COLLECTIONS
For the Fiscal Years Ending June 30, 1971 to 1981



SOURCE: North Dakota State Tax Department Biennial Reports, Gross Monthly Collections by Tax Commissioner.

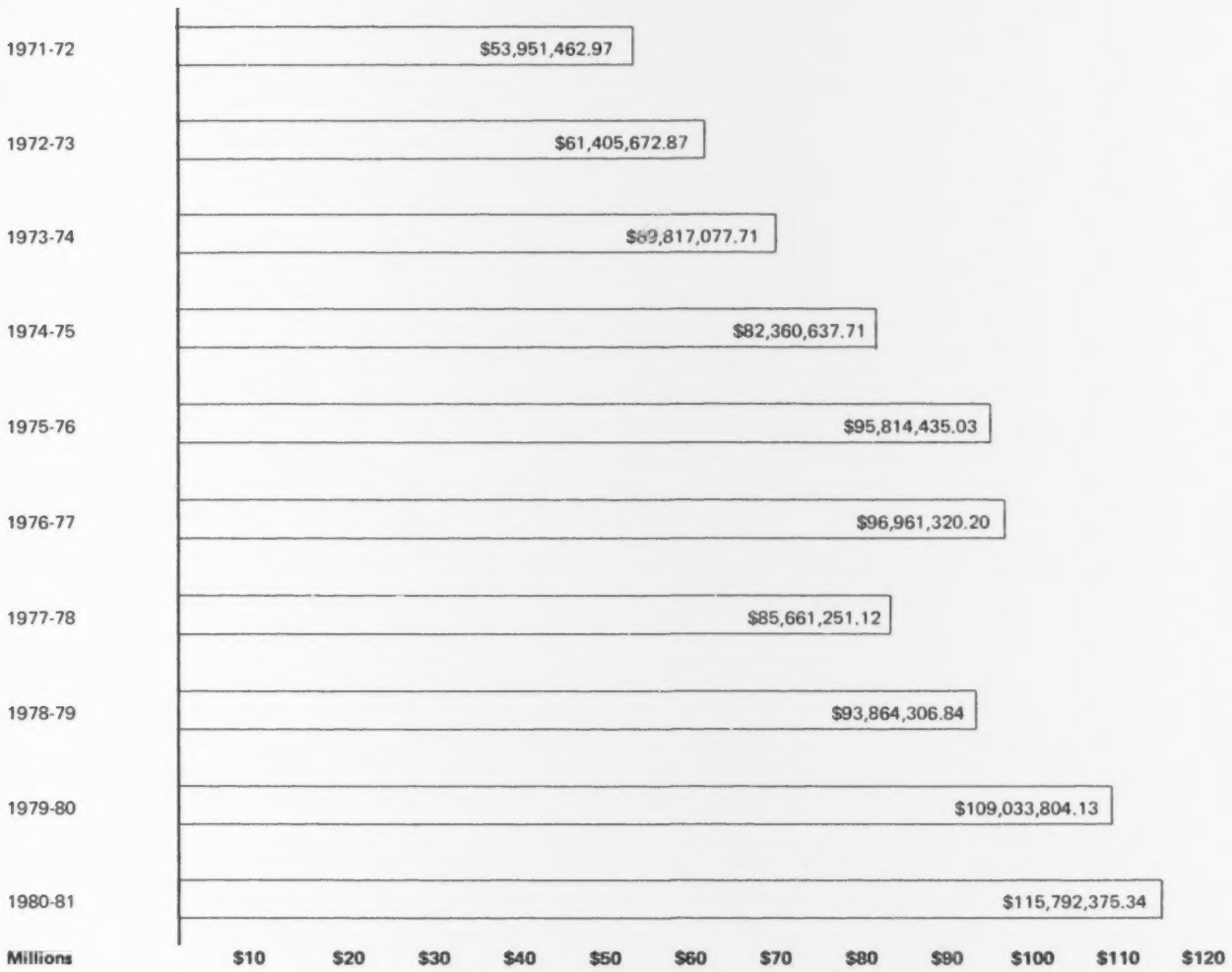
[1]Included in the Energy Taxes category are oil and gas gross production taxes, oil extraction taxes, coal severance taxes, coal conversion facilities taxes, and transmission line taxes.

[2]Included in the Fuel and Motor Vehicle Taxes category are motor vehicle use taxes (both motor vehicle fund and state general fund), motor vehicle excise taxes, motor vehicle fuel taxes, special fuels taxes, and motor fuels license fees taxes.

[3]Included in the Other Taxes and Fees category are business and corporation privilege taxes, estate taxes, cigarette and tobacco products taxes, cash bonds, and other miscellaneous taxes and collections.

NOTE: For historical information on each of the individual tax types, see the tables and narrative provided in this biennial report on each of the various taxes collected by the North Dakota Tax Department.

NORTH DAKOTA STATE TAX DEPARTMENT
SALES AND USE TAX GROSS GENERAL FUND COLLECTIONS
During Fiscal Years Ended June 30, 1972 to 1981



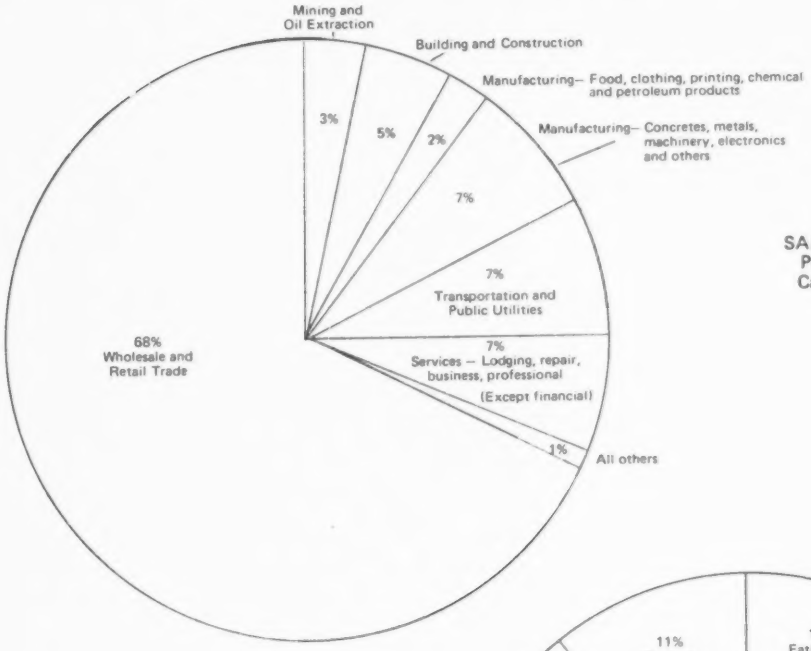
NOTE: On July 1, 1973, the base was reduced by exempting food and food products for human consumption off the premises where purchased. This exemption extends primarily to groceries.

On January 1, 1977, the 4% tax was reduced to 3%; the tax on farm machinery and irrigation equipment was reduced from 4% to 2%; and the 4% tax on electricity was eliminated.

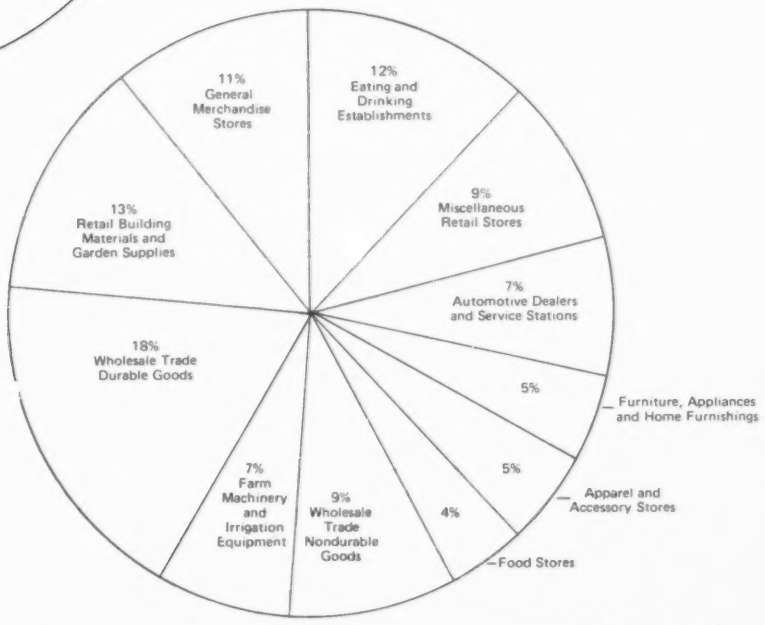
Figures do not include the Motor Vehicle Use Tax or the Motor Vehicle Excise Tax.

SOURCE: Comparative Statement of Collections, North Dakota State Tax Department.

NORTH DAKOTA STATE TAX DEPARTMENT
STATEWIDE SALES AND USE TAX STATISTICS BY BUSINESS CLASSIFICATION



SALES AND USE TAX COLLECTIONS
Percentage by Business Classification
Calendar Year 1980 Collection Period



SALES AND USE TAX COLLECTIONS
Wholesale and Retail Trade
Calendar Year 1980 Collection Period

SOURCE: 1980 Annual North Dakota Sales and Use Tax Statistical Report and North Dakota Tax Department TX-1188 Records.

NOTE: The above figures represent sales and use tax collections associated with a general sales and use tax rate of 3% and a special tax rate of 2% on sales of farm machinery and irrigation equipment used exclusively for agricultural purposes. These rates became effective January 1, 1977, as the result of an initiated measure passed by the citizens of North Dakota. The initiated measure also eliminated the sales tax on electricity.

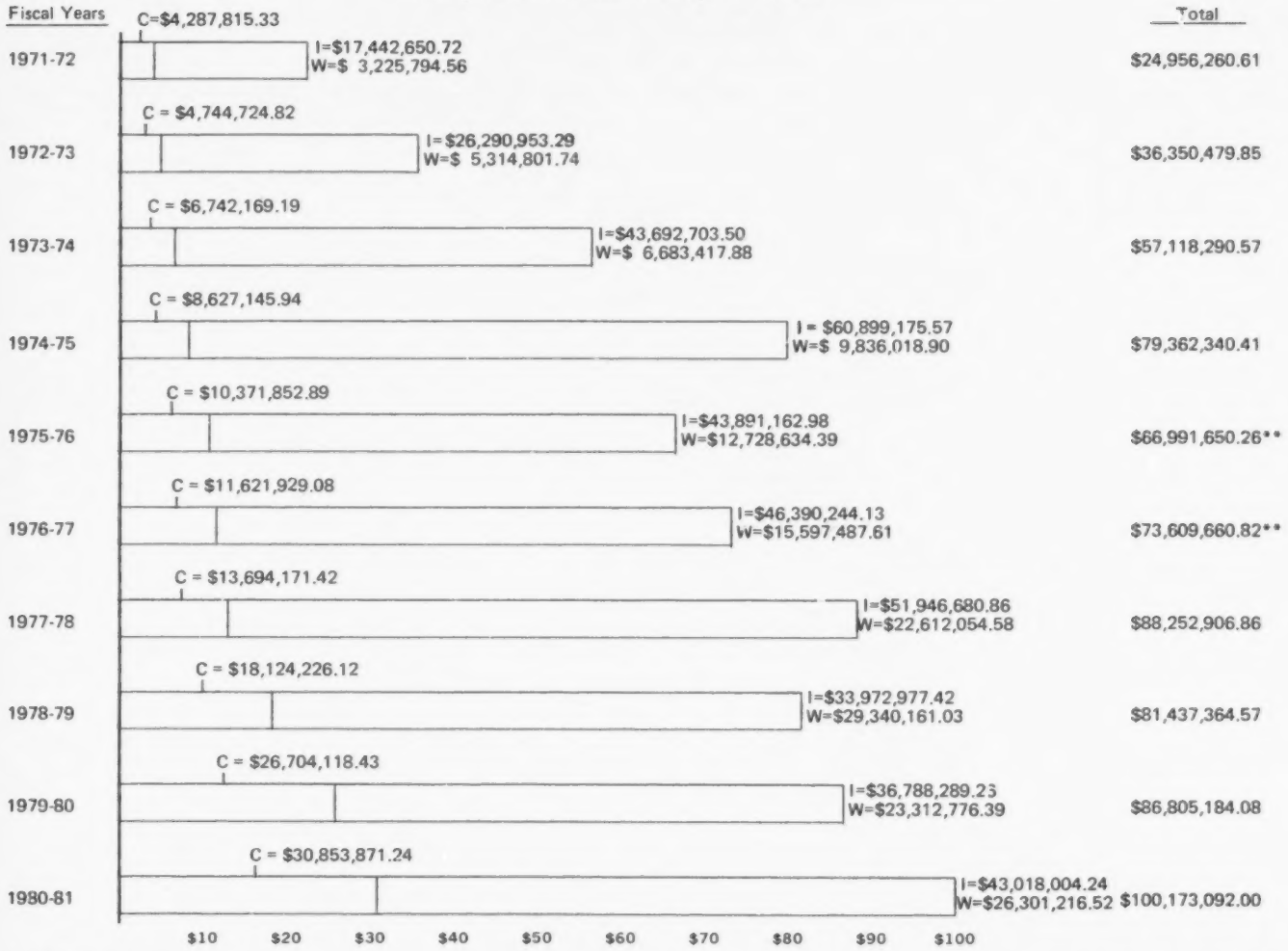
The sales tax is levied upon the gross receipts from retail sales of tangible personal property; furnishings or service of steam, gas and communication services; recreation and amusement receipts; magazines and periodicals; leasing or renting of hotel, motel or tourist court accommodations; leasing or renting of tangible personal property. Until July 1, 1981, North Dakota also had a sales tax on water, on used mobile homes, and on magazine and periodical subscriptions. The 1981 North Dakota Legislature eliminated the sales tax on those items and reduced the sales tax on new mobile homes to 2%, also effective July 1, 1981.

The use tax is imposed upon any tangible personal property purchased at retail for storage, use, or consumption in this state and not subjected to the North Dakota sales tax, unless otherwise exempt by law. Generally this tax applies on purchases of tangible personal property at retail outside North Dakota for use in this state when such purchases are made from a retailer who does not collect a sales and use tax. Under these circumstances, the purchaser must remit the use tax directly to the North Dakota Tax Commissioner.

Sales tax permit holders are categorized through the use of the Standard Industrial Classification System, generally referred to as "SIC" codes. The SIC system is used by government and business throughout the United States to facilitate record keeping and the compilation of statistics regarding business and industry.

NORTH DAKOTA STATE TAX DEPARTMENT

GROSS INCOME TAX AND SURTAX COLLECTIONS
During Fiscal Years Ended June 30, 1972 to 1981



I = Individual Income Tax W = Withholding for Individual Income Tax C = Corporate Income Tax

*Vietnam Surtax collections for these years are as follows: 1972-73, I = $2,327,522.36, C = $55,060.25; 1973-74, I = $2,370,681.20, C = $110,084.91; 1974-75, I=$2,574,956.92, C = $128,020.24; 1975-76, I = $106,812.92, C = $69,262.06; 1976-77, I = $21,335.36, C = $4,402.80; 1977-78, I = $10,220.67, C = $3,218.40; 1978-79, I = $2,730.08, C = $2,726.43; 1979-80, I = $2,009.57, C = $1,918.86; 1980-81, I = $3,753.67, C = $1,699.46.

From January 1, 1972, to December 31, 1974, a temporary tax of 1% was imposed upon the taxable income of individuals and corporations as a Vietnam Bonus Surtax. Revenue from this tax was placed in a special fund and distributed to members of the United States armed forces. The more current surtax collection figures are a result of delinquent returns.

**An individual income tax inflation credit of 25% of the computed tax liability to a maximum of $100.00 was applicable to the 1976 and 1977 fiscal year collections.

SOURCE: Comparative Statement of Collections and Reconciliation of Income Tax and Surtax Funds, North Dakota State Tax Department.

INDIVIDUAL INCOME TAX RATES

Rates Effective January 1, 1969, through December 31, 1972

Up to $3,000 . . . . . Computed at 1%
$3,000 to $ 4,000 . . . $ 30.00 plus 2 % of excess over $ 3,000
$4,000 to $ 5,000 . . . $ 50.00 plus 3 % of excess over $ 4,000
$5,000 to $ 6,000 . . . $ 80.00 plus 5 % of excess over $ 5,000
$6,000 to $ 8,000 . . . $130.00 plus 7½% of excess over $ 6,000
$8,000 to $15,000 . . . $280.00 plus 10 % of excess over $ 8,000
Over $15,000 . . . . . $980.00 plus 11 % of excess over $15,000

Rates Effective January 1, 1973, through December 31, 1977

Up to $1,000 . . . . . Computed at 1%
$1,000 to $3,000 . . . . . $ 10.00 plus 2 % of excess over $1,000
$3,000 to $5,000 . . . . . $ 50.00 plus 3 % of excess over $3,000
$5,000 to $6,000 . . . . . $110.00 plus 5 % of excess over $5,000
$6,000 to $8,000 . . . . . $160.00 plus 7½% of excess over $6,000
Over $8,000 . . . . . $310.00 plus 10 % of excess over $8,000

Rates Effective January 1, 1978

Up to $3,000 . . . . . Computed at 1%
$ 3,000 to $ 5,000 . . . . . $ 30.00 plus 2 % of excess over $ 3,000
$ 5,000 to $ 8,000 . . . . . $ 70.00 plus 3 % of excess over $ 5,000
$ 8,000 to $12,000 . . . . . $ 160.00 plus 4 % of excess over $ 8,000
$12,000 to $30,000 . . . . . $ 320.00 plus 5 % of excess over $12,000
Over $30,000 . . . . . $1,220.00 plus 7½% of excess over $30,000

CORPORATE INCOME TAX RATES

Rates Effective January 1, 1969 through December 31, 1977

Up to $3,000 . . . . . Computed at 3%
$3,000 to $ 8,000 . . . . . $ 90.00 plus 4% of excess over $ 3,000
$8,000 to $15,000 . . . . . $290.00 plus 5% of excess over $ 8,000
Over $15,000 . . . . . $640.00 plus 6% of excess over $15,000

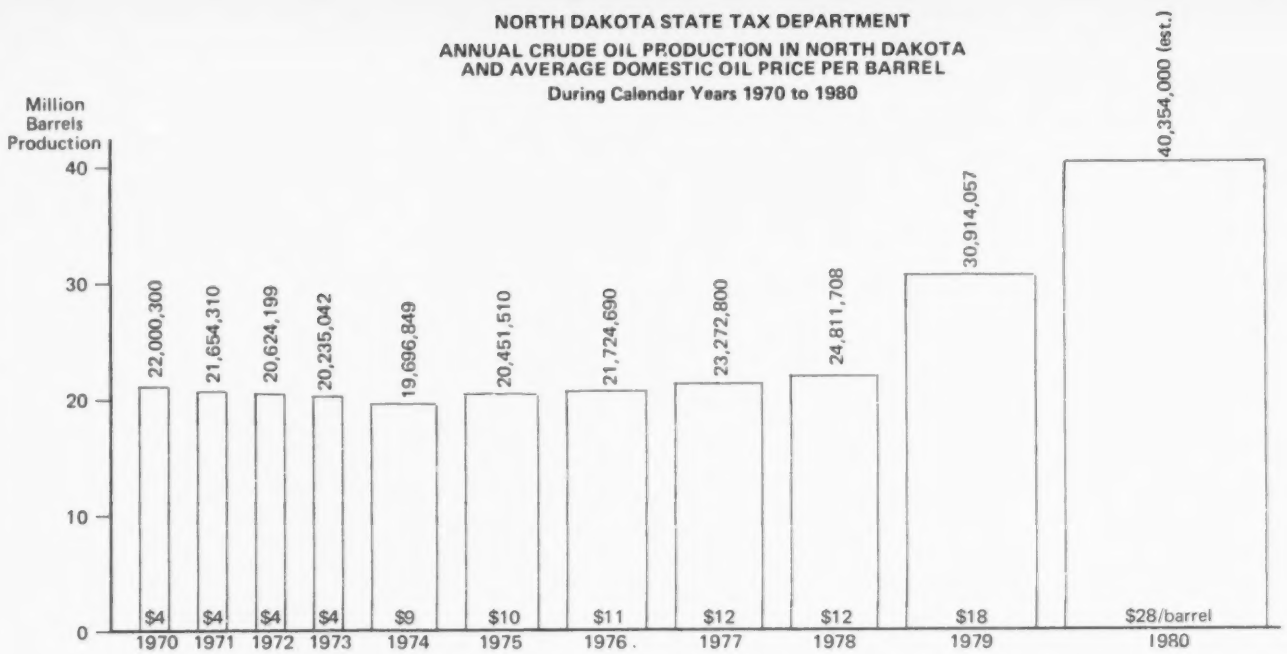
Rates Effective January 1, 1978

Up to $3,000 . . . . . Computed at 3%
$ 3,000 to $ 8,000 . . $ 90.00 plus 4 % of excess over $ 3,000
$ 8,000 to $15,000 . . $ 290.00 plus 5 % of excess over $ 8,000
$15,000 to $25,000 . . $ 640.00 plus 6 % of excess over $15,000
Over $25,000 . . . . . $1,240.00 plus 8½% of excess over $25,000

NORTH DAKOTA STATE TAX DEPARTMENT

ANNUAL CRUDE OIL PRODUCTION IN NORTH DAKOTA AND AVERAGE DOMESTIC OIL PRICE PER BARREL

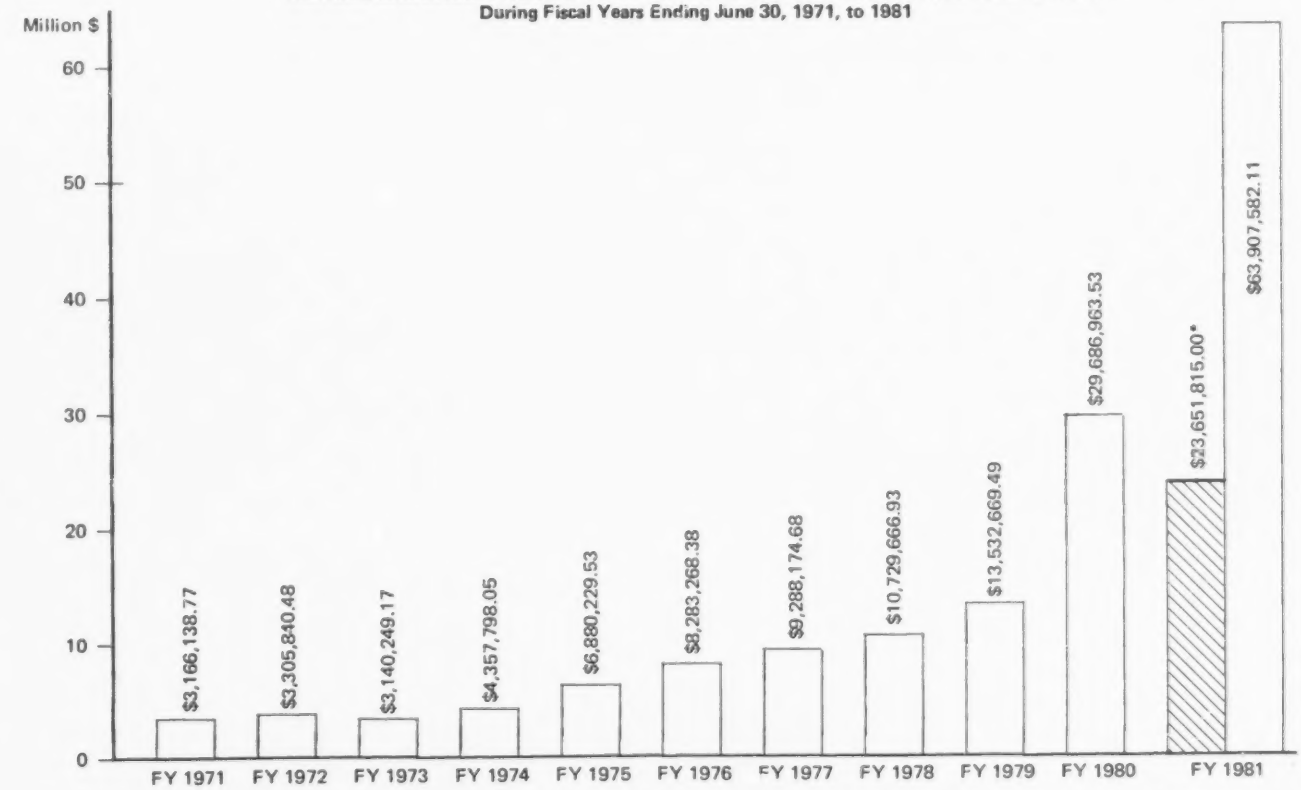
During Calendar Years 1970 to 1980



SOURCE: North Dakota Geological Survey, Oil Exploration and Development in the North Dakota Williston Basin: 1980 Update.

OIL AND GAS GROSS PRODUCTION AND OIL EXTRACTION TAX GROSS COLLECTIONS

During Fiscal Years Ending June 30, 1971, to 1981



SOURCE: North Dakota State Tax Department Biennial Reports, Gross Monthly Collections by Tax Commissioner and Comparative Statement of Collections.

*The oil extraction tax became effective January 1, 1981, as the result of an initiated measure passed by the citizens of North Dakota in November, 1980. The oil extraction tax rate is 6½% of the gross value at the well of oil extracted in North Dakota. The value of oil produced from a stripper well property (an average daily production of 10 barrels per well or less) is exempt from the tax, as is the royalty owners interest in the first 100 barrels of average daily production per well. Oil extraction tax collections for FY-1981 as shown above are taxes levied in January, February and March, 1981, and collected in the following quarter. Those revenues were distributed 45% to the State School Aid Program, 10% to a trust fund and 45% to the State General Fund. The 1981 Legislature changed the distribution formula so that subsequent collections would be allocated 60% to the State School Aid Program, 10% to the Resources Trust Fund, and 30% to the State General Fund.

NORTH DAKOTA STATE TAX DEPARTMENT

NET OIL AND GAS GROSS PRODUCTION TAX REVENUE DISTRIBUTIONS
1979 - 1981 BIENNIUM

	FY 1980			FY 1981		
		DISTRIBUTIONS			DISTRIBUTIONS	
	Total	State	County	Total	State	County
Billings	$ 9,660,432.83	$ 7,578,346.25	$2,082,086.58	$26,707,316.92	$21,215,853.55	$ 5,491,463.37
Bottineau	1,883,111.15	1,356,665.97	526,445.18	3,218,097.37	2,424,477.91	793,619.46
Bowman	975,096.39	630,365.49	344,730.90	1,810,734.21	1,298,587.38	512,146.83
Burke	880,788.23	531,690.47	349,097.76	1,220,912.95	826,730.36	394,182.59
Divide	236,500.72	94,593.33	141,907.39	439,422.73	202,824.24	236,598.49
Dunn	2,425,832.64	1,790,666.13	635,166.51	4,012,187.72	3,059,750.18	952,437.54
Golden Valley	453,308.31	216,038.95	237,269.36	800,722.04	475,293.25	325,428.79
Hettinger	0	0	0	71,862.56	28,745.03	43,117.53
McHenry	18,276.83	7,310.75	10,966.08	34,918.57	13,967.42	20,951.15
McKenzie	6,568,317.24	5,104,653.80	1,463,663.44	13,775,959.35	10,870,767.49	2,905,191.86
Mercer	0	0	0	1,648.94	659.58	989.36
Mountrail	567,923.12	295,219.29	272,703.83	1,065,057.47	702,045.98	363,011.49
Renville	1,004,595.52	654,576.61	350,018.91	1,806,030.92	1,294,824.74	511,206.18
Slope	23,332.06	9,332.84	13,999.22	74,306.83	29,722.74	44,584.09
Stark	989,743.71	641,794.97	347,948.74	1,739,047.86	1,241,238.29	497,809.57
Ward	56,792.86	22,717.15	34,075.71	305,100.44	122,040.18	183,060.26
Williams	3,426,399.74	2,591,119.78	835,279.96	6,518,989.18	5,065,191.35	1,453,797.83
TOTAL	$29,170,451.35	$21,525,091.78	$7,645,359.57	$63,602,316.06	$48,872,719.67	$14,729,596.39
Penalty/Interest	$ 312.76	$ 312.76	$ 0	$ 0	$ 0	$ 0
TOTAL DISTRIBUTIONS	$29,170,764.11	$21,525,404.54	$7,645,359.57	$63,602,316.06	$48,872,719.67	$14,729,596.39

SOURCE: State Treasurer's Oil and Gas Gross Production Distribution Report.

NOTE: The figures represent actual revenue distributions which are calculated from gross fiscal year collections less the gross collections of June of that fiscal year plus June gross collections of the preceding fiscal year less all refunds for the fiscal year.

Oil and Gas Gross Production Tax

The gross value of oil or gas production at the well, less any part which is specifically exempt, is taxed at a rate of 5%. The tax is remitted to the Tax Commissioner on a quarterly basis by the purchaser or producer. One-fifth of the annual revenue from this tax is placed in the State General Fund. The remaining four-fifths of the revenue is distributed to the county in whch the oil or gas was produced or to the State General Fund on a graduated basis as follows: The first $200,000 each year is distributed 75% to the county and 25% to the General Fund; the second $200,000, 50% to the county, 50% to the General Fund; amounts above $400,000, 25% to the county, 75% to the General Fund. Within the county, those funds are allocated 40% to the county road and bridge fund, 45% to the school districts within the county, and 15% to the incorporated cities.

The 1981 North Dakota Legislature changed the distribution formula so that for taxes levied during the 1981-1983 biennium, up to $32 million of the one-fifth share will be allocated to the highway tax distribution fund and township road and bridge funds. For taxes levied after June 30, 1983, all of the first one-fifth will again be placed in the State General Fund. Also beginning with the 1981-1983 biennium, the allocation between the General Fund and the producing county of the remaining four-fifths will be as follows: The first $1 million each year is distributed 75% to the county and 25% to the General Fund; the second $1 million, 50% to the county, 50% to the General Fund; amounts over $2 million, 25% to the county, 75% to the General Fund. However, the amount that any one county can receive will be limited according to population as follows: Up to 3,000, no more than $3.2 million in FY 1982 and $3.8 million in FY 1983; between 3,000 and 6,000, no more than $3.5 million in FY 1982 and $4.0 million in FY 1983; 6,000 or greater, no more than $4 million in FY 1982, and $4.5 million in FY 1983. Within the county, the allocation will be 45% to the county general fund, 35% to the school districts within the county, and 20% to the incorporated cities, beginning in the 1981-1983 biennium. There is a one-quarter lag in distributions so that, for example, the first quarter of revenue distribution under the new law will be the second quarter of FY-82.

NORTH DAKOTA STATE TAX DEPARTMENT
COAL CONVERSION FACILITIES TAX 1979-81 BIENNIUM

KILOWATT HOURS*

	FOR QUARTER YEAR PERIOD ENDING					FOR QUARTER YEAR PERIOD ENDING				
	June 30, 1979	Sept. 30, 1979	Dec. 31, 1979	Mar. 31, 1980	Total FY-80	June 30, 1980	Sept. 30, 1980	Dec. 31, 1980	Mar. 31, 1981	Total FY-81
McLean	20,996,000	523,785,000	800,293,000	831,296,000	2,176,370,000	382,027,000	725,374,000	1,148,542,000	1,016,007,000	3,271,950,000
Mercer	1,049,670,700	1,187,538,000	1,225,565,000	1,285,616,000	4,748,389,700	911,912,000	1,177,749,000	1,270,565,000	1,196,801,000	4,557,027,000
Oliver	1,174,673,000	1,285,212,000	1,096,809,000	1,174,600,000	4,731,294,000	995,651,000	1,107,148,000	1,101,166,000	1,115,148,000	4,319,113,000
Total	2,245,339,700	2,996,535,000	3,122,667,000	3,291,512,000	11,656,053,700	2,289,590,000	3,010,271,000	3,520,273,000	3,327,956,000	12,148,090,000
Tax rate on which collections were based	.25 mill	.25 mill	.25 mill	.25 mill		.25 mill	.25 mill	.25 mill	.25 mill	

COLLECTIONS

	FOR QUARTER YEAR PERIOD ENDING					FOR QUARTER YEAR PERIOD ENDING				
	Sept. 30, 1979	Dec. 31, 1979	Mar. 31, 1980	June 30, 1980	Total FY-80	Sept. 30, 1980	Dec. 31, 1980	Mar. 31, 1981	June 30, 1981	Total FY-81
McLean	$ 5,249.00	$130,946.25	$200,073.25	$207,824.00	$ 544,092.50	$ 95,506.75	$181,343.50	$287,135.50	$254,001.75	$ 817,987.50
Mercer	262,417.68	296,884.50	306,391.25	321,404.00	1,187,097.43	227,978.50	294,437.25	317,641.25	299,200.25	1,139,257.25
Oliver	293,668.25	321,303.00	274,202.25	293,650.00	1,182,823.50	248,912.75	276,787.00	275,291.50	278,787.00	1,079,778.25
Total	$561,334.93	$749,133.75	$780,666.75	$822,878.00	$2,914,013.43	$572,398.00	$752,567.75	$880,068.25	$831,989.00	$3,037,023.00

DISTRIBUTION OF COLLECTIONS

McLean	$ 1,837.15	$ 45,831.18	$ 70,025.63	$ 72,738.40	$ 190,432.36	$ 33,427.36	$ 63,470.22	$100,497.42	$ 88,900.61	$ 286,295.61
Mercer	91,846.18	103,909.57	107,236.93	112,491.39	415,484.07	79,792.47	103,053.03	111,174.43	104,720.08	398,740.01
Oliver	102,783.88	112,456.05	95,970.78	102,777.50	413,988.21	87,119.46	96,875.45	96,352.02	97,575.45	377,922.38
Total Counties (35%)	196,467.21	262,196.80	273,233.34	288,007.29	1,019,904.64	200,339.29	263,398.70	308,023.87	291,196.14	1,062,958.00
State General Fund (65%)	364,867.72	486,936.95	507,433.41	534,870.71	1,894,108.79	372,058.71	489,169.05	572,044.38	540,792.86	1,974,065.00
TOTAL REVENUES DISTRIBUTED (100%)	$561,334.93	$749,133.75	$780,666.75	$822,878.00	$2,914,013.43	$572,398.00	$752,567.75	$880,068.25	$831,989.00	$3,037,023.00

SOURCE: Production and collections data from Tax Department records. Distribution data from State Treasurer's Office.

*Production is shown in period in which it actually occurs. That production is reported to the Tax Department in the quarter following the period of production. Hence, collections for the quarter ending June 30, for example, are based on production for the quarter ending March 31.

Coal Conversion Facilities Tax

Electrical generating plants which use coal and have a single generating unit with the capacity of 120,000 kilowatts or more are taxed at the rate of 0.25 mill per kilowatt hour of electricity produced for sale. This tax, a privilege tax on coal conversion facilities, is in lieu of all ad valorem taxes except on land. Other energy installations which are subject to the coal conversion facilities tax include coal gasification plants and coal liquification plants which use or are designed to use over 500,000 tons of coal per year. These types of energy plants pay a tax of 2½% of the annual gross receipts or, in the case of coal gasification plants 10¢ per 1000 cubic feet of gas produced for sale, whichever is greater. In the 1979-81 biennium, only electrical generating plants, of the plants subject to the tax, were in operation in North Dakota.

For the 1979-81 biennium, 65% of the revenue was deposited in the State General Fund, and 35% of the revenue was allocated back to the county in which the coal conversion facility was located. The monies received by the counties were distributed 30% to the incorporated cities on the basis of the most recent census, 30% to the school district within the county on the basis of average daily enrollment and 40% to the county general fund.

NORTH DAKOTA STATE TAX DEPARTMENT
COAL SEVERANCE TAX
1979-81 BIENNIUM

TONNAGES

	FOR QUARTER YEAR PERIOD ENDING					FOR QUARTER YEAR PERIOD ENDING				
	June 30, 1979	Sept. 30, 1979	Dec. 31, 1979	Mar. 31, 1980	Total FY-80	June 30, 1980	Sept. 30, 1980	Dec. 31, 1980	Mar. 31, 1981	Total FY-81
Adams	8,812.465	15,736.27	10,654.25	230.27	35,433.255	16,485.77	32,601.83	621.36	110.14	49,819.10
Bowman	669,063.00	647,366.00	893,863.00	664,438.00	2,874,730.00	731,329.00	603,204.00	712,586.50	723,563.00	2,770,682.50
Burke	51,240.00	78,500.00	217,457.00	125,290.00	472,487.00	32,379.00	61,369.00	209,343.00	114,981.00	418,072.00
Grant	-0-	-0-	2,975.00	1,715.00	4,690.00	.70	91.41	3,302.00	3,546.00	6,940.11
McLean	286,751.00	361,552.00	635,925.00	833,082.00	2,117,310.00	761,295.00	649,403.00	867,185.00	957,602.00	3,235,485.00
Mercer	932,762.00	1,283,364.00	1,869,133.00	666,718.00[2]	4,551,977.00	893,613.00	1,020,734.00	1,011,457.06	846,333.96	3,772,138.02
Oliver	1,083,708.00	1,169,627.00	971,611.00	2,194,721.00[2]	5,419,667.00	1,302,778.00	1,446,337.00	1,603,439.79	1,902,952.24	6,255,507.03
Stark	54,880.00	54,065.00	45,585.00	64,360.00	218,890.00	59,890.00	21,645.00	33,645.00	40,565.00	155,745.00
Ward	80,244.00	61,664.00	77,793.00	106,590.00	326,291.00	89,314.00	72,752.00	100,069.00	93,018.75	355,153.75
Williams	-0-	-0-	80,765.00[1]	-0-	80,765.00	7,038.00	6,325.00	2,075.00	2,400.00	17,838.00
Total	3,167,460.465	3,671,874.27	4,605,761.25	4,657,144.27	16,102,240.255	3,894,122.47	3,914,462.24	4,543,723.71	4,685,072.09	17,037,380.51
Tax rate per ton on which collections were based	97 cents	85 cents	85 cents	89 cents		89 cents	93 cents	93 cents	96 cents	

COLLECTIONS

Adams	$ 8,548.09	$ 13,375.83	$ 9,056.11	$ 204.94	$ 31,184.97	$ 14,672.34	$ 30,319.70	$ 578.00	$ 105.74	$ 45,675.78
Bowman	648,991.11	550,261.10	759,783.55	591,349.82	2,550,385.58	650,882.81	560,979.72	662,705.45	694,620.48	2,569,188.46
Burke	49,702.80	66,725.00	184,838.45	111,508.10	412,774.35	28,817.31	57,073.17	194,688.99	110,381.76	390,961.23
Grant	-0-	-0-	2,528.75	1,526.35	4,055.10	.62	85.02	3,070.86	3,404.16	6,560.66
McLean	278,148.47	307,319.20	540,536.25	741,442.98	1,867,446.90	677,552.55	603,944.79	806,482.05	919,297.92	3,007,277.31
Mercer	904,779.14	1,090,859.40	1,418,763.05	593,379.02[2]	4,007,780.61	795,315.57	949,282.62	940,655.07	812,480.60	3,497,733.86
Oliver	1,051,196.76	994,182.95	825,869.35	1,953,301.69[2]	4,824,550.75	1,159,472.42	1,345,093.41	1,491,199.00	1,826,834.15	5,822,598.98
Stark	53,233.60	45,955.25	38,747.25	57,280.40	195,216.50	53,302.10	20,129.85	31,289.85	38,942.40	143,664.20
Ward	77,836.68	52,414.40	66,124.05	94,865.10	291,240.23	79,489.46	67,659.36	93,064.17	89,298.00	329,510.99
Williams	-0-	-0-	55,721.75[1]	-0-	55,721.75	6,263.82	5,882.25	1,929.75	2,304.00	16,379.82
Total	$3,072,436.65	$3,121,093.13	$3,901,968.56	$4,144,858.40	$14,240,356.74	$3,465,769.00	$3,640,449.89	$4,225,663.19	$4,497,669.21	$15,829,551.29

SOURCE: Production and Collection data from Tax Department records.

DISTRIBUTION OF COLLECTIONS

Adams	$ 1,709.62	$ 2,675.17	$ 1,811.22	$ 40.99	$ 6,237.00	$ 2,934.47	$ 6,063.93	$ 115.60	$ 21.15	$ 9,135.15
Bowman	129,798.22	110,052.21	151,956.71	118,269.96	510,077.10	130,176.57	112,195.94	132,541.08	138,924.10	513,837.69
Burke	9,940.56	13,345.00	36,967.68	22,301.61	82,554.85	5,763.46	11,414.63	38,937.79	22,076.35	78,192.23
Grant	-0-	-0-	505.75	305.27	811.02	.12	17.00	614.17	680.83	1,312.12
McLean	55,629.70	61,463.84	108,107.24	148,288.60	373,489.38	135,510.51	120,788.95	161,296.40	183,859.58	601,455.44
Mercer	180,955.83	218,171.88	283,752.60	169,351.41[2]	852,231.72	112,746.70[2]	189,856.52	188,131.02	162,496.12	653,230.36
Oliver	210,239.35	198,836.59	165,173.87	386,301.14[2]	960,550.95	231,894.48	269,018.69	298,239.80	365,366.83	1,164,519.80
Stark	10,646.72	9,191.04	7,749.44	11,456.08	39,043.28	10,660.41	4,025.96	6,257.96	7,788.48	28,732.81
Ward	15,567.34	10,482.88	13,224.80	18,973.01	58,248.03	15,897.89	13,531.87	18,612.83	17,859.60	65,902.19
Williams	-0-	-0-	11,144.35	-0-	11,144.35	1,252.76	1,176.44	385.95	460.80	3,275.95
Total Counties (20%)	614,487.34	624,218.61	780,393.66	875,288.07[2]	2,894,387.68	646,837.37[2]	728,089.93	845,132.60	899,533.84	3,119,593.74
Impace Office (35%)	1,075,352.83	1,092,382.60	1,365,689.00	1,450,700.45	4,984,124.88	1,213,019.16	1,274,157.48	1,478,982.12	1,574,184.23	5,540,342.99
Land Board (15%)	460,865.49	468,163.97	585,295.29	621,728.77	2,136,053.52	519,865.35	546,067.49	633,849.49	674,650.37	2,374,432.70
State General Fund (30%)	921,730.99	936,327.95	1,170,590.61	1,197,141.11[2]	4,225,790.66	1,086,047.12[2]	1,092,134.99	1,267,698.98	1,349,300.77	4,795,181.86
TOTAL REVENUES DISTRIBUTED (100%)	$3,072,436.65	$3,121,093.13	$3,901,968.56	$4,144,858.40	$14,240,356.74	$3,465,769.00	$3,640,449.89	$4,225,663.19	$4,497,669.21	$15,829,551.29

SOURCE: State Tax Department records and State Treasurer's Office.

[1]Covers quarters ending September 30, 1975, through December 31, 1979, at various tax rates.

(See narrative explanation on following page)

[2]Reflects corrections from quarters ending September 30, 1979, and December 31, 1979, in which tonnages in Mercer County were overreported and tonnages in Oliver County were underreported. Reconciliation required changes in the allocations to the counties and the general fund in the quarters ending March 31, 1980, and June 30, 1980.

NORTH DAKOTA STATE TAX DEPARTMENT
COAL SEVERANCE TAX

The Coal Severance Tax was enacted by the 1975 North Dakota Legislature. This tax is applied to coal severed from the ground on a rate per ton basis. The 1975 law provided for a 50¢ per ton tax with an escalator clause that increased the tax 1¢ per ton for each 3-point increase in the Wholesale Price Index. The 1975 law was made effective July 1, 1975.

The revenues collected during the 1975-77 Biennium were distributed according to the following formula:

1. 35% to a special fund to be granted by the Impact Office to impacted political subdivisions.
2. 30% to a special trust fund to be administered by the State Land Board.
3. 5% to coal-producing counties.
4. 30% to the State General Fund.

The 1975 law was replaced with the 1977 law, changing the rate and the distribution formula. The 1977 law, effective July 1, 1977, provided for a 65¢ per ton tax with an escalator clause that increased the tax 1¢ per ton on a quarterly basis for every one point increase in the Wholesale Price Index.

The 1977 law also changed the distribution of revenues to the following:

1. 35% is allocated to a special fund to be granted by the Impact Office to impacted political subdivisions.
2. 15% is allocated to a special trust fund to be administered by the State Land Board.
3. 20% is allocated to coal-producing counties.
4. 30% is allocated to the State General Fund.

The 1977 law was replaced with the 1979 law. The 1979 law, effective July 1, 1979, provides for an 85¢ per ton tax with an escalator that will increase the tax 1¢ per ton on a semi-annual basis for every four point increase in the Wholesale Price Index (now known as the Producer Price Index). The distribution of revenues remains the same.

TRANSMISSION LINE TAX COLLECTIONS

	1977-79 Biennium		1979-81 Biennium	
	FY-78	FY-79	FY-80	FY-81
Transmission Line Tax	$86,535.00*	$286,367.04*	$245,129.00	$306,013.50

Collections represent payments made by cooperatives that owned or operated electrical transmission lines of 230 kilovolts or larger. They were taxed at the rate of $150.00 per mile for the collection period FY-78. The FY-79 collection period reflects a tax rate of $225.00 per mile.

*FY-79 transmission line tax collections of $41,454.00, excluding penalty, were due in FY-78.

SOURCE: Property Tax Division, N.D. State Tax Department.

RURAL ELECTRIC COOPERATIVES AND MUTUAL AND COOPERATIVE TELEPHONE COMPANIES

Rural electric cooperatives are nonprofit cooperative corporations engaged in the distribution or transmission of electric energy primarily for consumption in rural areas. Rural electric cooperatives also include those nonprofit cooperative corporations engaged in the generation of electric energy primarily for consumption in rural areas. The electrical energy generating units of such plants are under 100,000 kilowatts of generating capacity. Such plants are taxable pursuant to Chapter 57-33, N.D.C.C.

Rural electric cooperatives are taxed at 1% of their gross receipts each year for the first 5 years and 2% each year thereafter in lieu of taxes on all property except land. The tax of each rural electric cooperative is certified by the Tax Commissioner to the counties for collection and is allocated by the county auditor to the taxing district in which the rural electric line or plant, as the case may be, is located.

Mutual and cooperative telephone companies are taxed at a graduated rate. The tax of each company is certified by the Tax Commissioner to the counties and apportioned to the school districts in which its telephones are located.

TAXES CERTIFIED TO COUNTIES FOR COLLECTION FOR THE YEARS OF:*

	1977	1978	1979	1980
Rural Electric Cooperative	$1,114,644.02	$1,318,031.74	$1,597,668.35	$1,950,651.63
Mutual & Co-op Telephone Co.	267,725.76	261,480.88	305,925.91	334,255.74

*These taxes are certified in the fall of the indicated years and payable in the following year.

NORTH DAKOTA STATE TAX DEPARTMENT
SPECIAL FUELS TAX AND MOTOR VEHICLE FUEL TAX
COLLECTIONS, GALLONAGE AND DISBURSEMENTS

1979-81 Biennium

SPECIAL FUELS TAX COLLECTIONS	FY-80	FY-81
Special Fuels Tax (8¢)	$ 7,726,067.92	$ 7,711,117.16
Special Fuels Excise Tax (2%)	6,086,527.43	6,390,079.20
Special Fuels License Fees Collected	5,738.12	18,756.51
Penalty & Interest Collected	8,155.18	5,780.53
Total Collections	$13,826,488.65	$14,125,743.40
Net Refunds Paid	984,020.95	936,396.53
Net Special Fuels Tax & Fees	$12,842,467.70	$13,189,346.87
GALLONAGE – SPECIAL FUELS		
Gallons on Which 8¢ Tax Was Paid	96,503,553	93,646,696
Gallons on Which 2% Tax Was Paid	412,894,312	360,700,785
Gallons on Which Tax Was Refunded	15,666,868	19,464,821
Total Net Gallons on Which 2% or 8¢ Tax Was Paid	493,730,997	434,882,660
SPECIAL FUELS TAX DISBURSEMENTS		
Earmarked for Refund	$ 1,000,000.00	$ 950,000.00
Highway Distribution Fund – 2% or 8¢ Tax	12,565,916.12	12,669,879.72
Aeronautics Construction Fund – 4% of Jet Fuel	260,572.53	505,863.68
Total Disbursements	$13,826,488.65	$14,125,743.40
MOTOR VEHICLE FUEL TAX COLLECTIONS		
Motor Vehicle Fuel Tax – (8¢)	$30,785,649.07	$28,060,491.47
Gasohol Tax – (4¢)	199,177.33	505,784.23
1/8¢ Tax on Tax Assigned Gallons	21,813.32	20,947.40
Penalty & Interest Collected	8,979.56	8,985.18
Total Collections	$31,015,619.28	$28,596,208.28
Net Refunds Paid	4,283,670.14	3,640,244.00
Net Motor Vehicle Fuel Tax	$26,731,949.14	$24,955,964.28
GALLONAGE – MOTOR VEHICLE FUEL		
Gallons on Which 8¢ Tax Was Paid	388,883,274	358,539,253
Gallons on Which 4¢ Tax Was Paid	5,081,819	12,902,250
Gallons on Which Tax Was Refunded	54,706,911	47,452,083
Total Net Gallons on Which Tax Was Paid	339,258,182	323,989,420
MOTOR VEHICLE FUEL TAX DISBURSEMENTS		
Earmarked for Operating	$ 278,000.00	$ 278,000.00
Earmarked for Refunds	4,250,727.10	3,619,193.88
Alcohol Commission Fund (1/8¢)	47,574.14	52,388.74
Highway Distribution Fund (8¢)	26,280,303.71	24,486,468.60
Aeronautics Commission Special (8¢ – Aviation Gas)	92,500.00	68,500.00
Aeronautics Commission Construction Fund – 4% of Aviation Gas	66,514.33	91,657.06
Total Disbursements	$31,015,619.28	$28,596,208.28

Special Fuels and Motor Vehicle Fuel Taxes

A tax of 8¢ per gallon is levied on the sale or delivery to a user of all special fuels except those used for heating, agricultural, railroad purposes, or for industrial purposes other than public funded projects. The tax is refundable when used for nonhighway purposes. A tax of 2% is levied on the sale of all special fuels which is exempt from the 8¢ per gallon tax. The 2% tax is not refundable.

Motor fuel (gasoline and aviation gas) sold to persons other than licensed dealers is taxed at a rate of 8¢ per gallon. This tax is refundable when the fuel is used for agricultural or industrial purposes other than public funded projects. Gasohol is subject to a 4¢ per gallon tax and is refundable when used for agricultural purposes.

Effective July 1, 1979, a 1/8¢ per gallon tax is levied on all tax refundable fuel. The 1/8¢ also applies to tax assigned fuel purchases during the period April 1 through September 30. The 1/8¢ tax is earmarked for an agricultural alcohol commission to promote agriculturally derived alcohol blended motor fuels. Also, effective for purchases made during the 1981-83 biennium, an additional 1¢ per gallon tax will be levied on all tax refundable fuels, except aviation fuels, for distribution to township road and bridge funds.

The motor fuel and special fuels taxes are administered by the Tax Commissioner and turned over to the State Treasurer for distribution. A part of the fuel tax collections is set aside to pay for administration of the tax and to allow for refunds, and the remaining portions are transferred to the State Treasurer who deposits such money in a highway distribution fund which shall be distributed in a manner as prescribed by law.

NORTH DAKOTA STATE TAX DEPARTMENT

BANKS AND BUILDING AND LOAN ASSOCIATIONS

Banks and building and loan associations are taxed at 5% of their net income for the preceding year in lieu of all taxes except motor vehicle fuel and special fuel taxes, sales and use taxes, including motor vehicle excise taxes, and taxes upon real and personal property.[1] The tax of each bank and building and loan association is certified by the Tax Commissioner to the counties for collection and is apportioned to the state, county and local taxing districts in which the bank or building and loan association is located.

TAXES CERTIFIED TO COUNTIES FOR COLLECTION IN YEARS:[2]

	1976	1977	1978	1979	1980
Banks	$1,519,231.80	$2,237,518.76	$1,951,102.00	$2,733,414.68	$3,241,720.31
Building & Loan Associations	356,566.67	490,229.16	528,561.10	558,956.41	43,630.00

[1]There is an additional 2% business privilege tax on net income. The revenue from this tax is placed in the State General Fund. Revenue from this tax is not included in the above figures.

[2]Example: Taxes certified to the counties in 1977 are based upon 1976 net income of the banks and B.L.A. They are required to remit to the counties by December 31 of the certification year. The same dates apply to other years as well.

[3]Increased from previously published figure due to auditing with resulting collections on current and previous years.

SOURCE: Income Tax Division, N. D. State Tax Department.

BUSINESS AND CORPORATION PRIVILEGE TAX COLLECTIONS

1977-79 Biennium		1979-81 Biennium	
FY-78	FY-79	FY-80	FY-81
$9,056,057.95	$10,235,468.77	$10,597,342.39	$11,449,831.75

Each individual, estate, trust, corporation or partnership doing business in North Dakota was subject to a privilege tax of 1% upon net income in excess of $2,000.00 derived from the operation of any business or any trade or profession in North Dakota. There is no minimum tax. Banks and Building and Loan Associations are required to pay a 2% business privilege tax. Revenues are placed in the State General Fund. Effective January 1, 1981, the 1% privilege tax has been repealed.

SOURCE: Comparative Statement of Collections, N. D. State Tax Department.

CIGARETTE AND TOBACCO PRODUCTS TAX COLLECTIONS

	1977-79 Biennium		1979-81 Biennium	
	FY-78	FY-79	FY-80	FY-81
3¢ per package cigarette tax distributed to cities on population basis	$2,316,063.18	$2,302,427.31	$2,343,100.75	$2,370,835.17
8¢/9¢ per package cigarette tax distributed to State General Fund*	6,176,167.46	6,139,804.87	7,051,686.22	7,112,505.09
11% of the wholesale price of tobacco products distributed to State General Fund	199,569.21	204,029.56	215,150.40	241,339.28

*The cigarette tax was increased effective July 1, 1979, raising the State General Fund tax from 8¢ to 9¢ per package.

CAR LINES, EXPRESS COMPANIES AND AIRLINES

Operating properties of car line companies, express companies and air transportation companies are assessed by the State Board of Equalization with taxes computed by the Tax Commissioner and certified to the State Treasurer for collection. The taxes upon car line companies and express companies are deposited in the State General Fund. The taxes upon air transportation companies are allocated by the State Treasurer to the city or municipal airport authority where such company makes regularly scheduled landings according to the ratio that the annual gross landing weight of the company for such city or municipal airport authority bears to the total annual gross landing weight of the company for all cities of municipal airport authorities where it makes regularly scheduled landings; these taxes are to be used exclusively for airport purposes.

TAXES CERTIFIED TO STATE TREASURER FOR THE YEARS OF:*

	1977	1978	1979	1980
Airlines	$380,118.85	$395,198.58	$485,695.62	$ 552,095.27
Car Lines	784,285.87	715,730.14	713,743.29	1,085,517.77

*Car line assessments are set by the State Board in August. The tax amounts are computed in the spring of the following year using the statewide average mill levy for the year of the assessment.

Example: Value set in August, 1977, is multiplied by 50 percent (for the taxable value) and by the statewide average mill levy for 1977.

The amount of tax is certified to the State Treasurer by March 31 of the year following the assessment (in the above example, March 31, 1978). The taxes are payable to the State Treasurer by April 15 of the same year (delinquent May 1). Money is deposited in the State General Fund.

Airline taxes are handled the same way except that the mill rate used is the average millage rate for cities with an airport. Taxes are allocated to the airports on the basis of gross landing weight.

Express companies were handled the same way using the statewide average mill levy, certification to the Treasurer and the money deposited in the State General Fund. There have been no express companies operating in the state since 1976 resulting in no certification for the years given above.

SOURCE: Property Tax Division, N. D. State Tax Department.

NORTH DAKOTA STATE TAX DEPARTMENT
ESTATE TAXES ASSESSED*
1979-81 Biennium

	FY-1980			FY-1981		
	TAX (Chapter 57-37)	TAX (Chapter 57-37.1)	TOTAL TAX State & County**	TAX (Chapter 57-37)	TAX (Chapter 57-37.1)	TOTAL TAX State & County**
Adams	$ -0-	$ 11,972.41	$ 11,972.41	$ 124.44	$ 27,196.86	$ 27,321.30
Barnes	401.30	129,925.53	130,326.83	65.30	67,519.43	67,584.73
Benson	3,142.40	6,221.07	9,363.47	-0-	24,876.07	24,876.07
Billings	39.52	174.14	213.66	-0-	22,665.69	22,665.69
Bottineau	915.19	1,936.15	2,851.34	3,325.99	71,595.68	74,921.67
Bowman	69.92	55,362.82	55,432.74	2,350.58	9,909.00	12,259.58
Burke	2,559.97	44,719.23	47,279.20	609.48	34,978.15	35,587.63
Burleigh	3,417.63	170,131.12	173,548.75	795.07	254,874.19	255,669.26
Cass	2,458.68	714,901.09	717,359.77	457.58	419,372.66	419,830.24
Cavalier	-0-	16,752.26	16,752.26	709.53	46,043.82	46,753.35
Dickey	-0-	11,406.36	11,406.36	-0-	13,079.28	13,079.28
Divide	368.57	12,489.64	12,858.21	15.69	15,078.91	15,094.60
Dunn	48.57	30,589.34	30,637.91	42.20	13,776.57	13,818.77
Eddy	2,397.96	24,879.49	27,277.45	-0-	11,965.46	11,965.46
Emmons	-0-	2,743.26	2,743.26	-0-	7,274.96	7,274.96
Foster	441.79	125,425.25	125,867.04	-0-	15,914.91	15,914.91
Golden Valley	2,713.97	2,454.50	5,168.47	109.82	5,783.28	5,893.10
Grand Forks	2,791.71	163,018.81	165,810.52	2,874.27	123,010.20	125,884.47
Grant	771.45	23,545.10	24,316.55	55.31	16,624.27	16,679.58
Griggs	-0-	7,066.81	7,066.81	-0-	10,664.93	10,664.93
Hettinger	202.95	58,786.90	58,989.85	91.79	13,560.22	13,652.01
Kidder	6.56	26,645.54	26,652.10	-0-	1,387.72	1,387.72
LaMoure	205.80	38,148.83	38,354.63	-0-	14,832.60	14,832.60
Logan	1,538.04	2,892.51	4,430.55	671.51	13,938.19	14,609.70
McHenry	312.29	13,114.63	13,426.92	643.73	24,246.51	24,890.24
McIntosh	-0-	4,732.50	4,732.50	-0-	10,887.74	10,887.74
McKenzie	878.54	54,814.75	55,693.29	162.87	39,738.69	39,901.56
McLean	709.50	25,152.86	25,862.36	919.20	10,154.75	11,073.95
Mercer	22.00	41,450.69	41,472.69	73.68	35,214.92	35,288.60
Morton	519.00	81,235.92	81,754.92	-0-	18,162.33	18,162.33
Mountrail	316.16	11,526.72	11,842.88	15,951.38	18,224.43	34,175.81
Nelson	692.81	18,552.14	19,244.95	2,295.28	12,391.14	14,686.42
Oliver	310.00	30.47	340.47	-0-	13,297.18	13,297.18
Pembina	3,687.09	103,262.55	106,949.64	50.21	165,765.23	165,815.44
Pierce	52.90	4,780.22	4,833.12	15.42	15,102.43	15,117.85
Ramsey	2,652.91	156,770.15	159,423.06	-0-	45,692.22	45,692.22
Ransom	-0-	13,392.57	13,392.57	-0-	10,606.20	10,606.20
Renville	3,567.93	63,226.28	66,794.21	8.62	64,438.52	64,447.14
Richland	3,507.35	116,040.10	119,547.45	163.00	390,044.71	390,207.71
Rolette	16.20	79,808.21	79,824.41	385.36	18,954.04	19,339.40
Sargent	2,803.66	5,849.38	8,653.04	206.29	25,541.31	25,747.60
Sheridan	107.00	1,614.69	1,721.69	653.52	9,419.08	10,072.60
Sioux	-0-	-0-	-0-	-0-	339.12	339.12
Slope	-0-	6,015.17	6,015.17	-0-	5,077.44	5,077.44
Stark	3,175.00	69,704.85	72,879.85	370.45	77,662.91	78,033.36
Steele	135.12	13,255.58	13,390.70	-0-	22,708.72	22,708.72
Stutsman	1,356.87	35,909.96	37,266.83	69.96	47,222.64	47,292.60
Towner	35.90	19,194.33	19,230.23	-0-	8,198.76	8,198.76
Traill	801.23	123,879.81	124,681.04	3,544.25	112,272.07	115,816.32
Walsh	896.89	51,146.52	52,043.41	1,498.17	128,414.31	129,912.48
Ward	218.50	315,729.82	315,948.32	12,633.72	48,274.91	60,908.63
Wells	6.09	50,416.90	50,422.99	-0-	39,738.09	39,738.09
Williams	1,093.53	145,284.35	146,377.88	261.95	93,527.77	93,789.72
Miscellaneous	-0-	937.91	937.91	-0-	106.02	106.02
TOTAL TAX	$52,366.45	$3,309,018.19	$3,361,384.64	$52,205.62	$2,767,347.24	$2,819,552.86

*This table indicates only the amount of estate taxes determined in the respective counties and does not reflect any subsequent proration between other counties or municipalities.

**Chapter 57-37 distributes 65% to county and 35% to state. Chapter 57-37.1 distributes 100% to county and cities in the county.

SOURCE: Estate Tax Section – TX-3030 Records, N. D. State Tax Department.

Estate Tax

Property transferred at death, during lifetime in contemplation of death, or in a manner intended to take effect at death is subject to the estate tax. North Dakota does not have a separate gift tax law. The estate tax is administered by the State Tax Commissioner and is imposed on the full and fair market value of the estate less exemptions and deductions. It is not imposed on the individual beneficiary.

Effective for deaths occurring on or after January 1, 1977, North Dakota adopted the provisions of the Federal Tax Reform Act of 1976. In place of the unified credit, North Dakota adopted a $200,000 exemption and a separate rate schedule.

Effective March 16, 1979, the rate of the estate tax shall equal the maximum federal estate tax credit for state death taxes.

NORTH DAKOTA STATE TAX DEPARTMENT

WHERE GENERAL AD VALOREM PROPERTY TAXES, SPECIAL PROPERTY TAXES AND SPECIAL ASSESSMENTS COME FROM

(Levied in 1980 – Payable in 1981)

PERSONAL PROPERTY (.03% of Total)

Total	$ 61,100.87

SPECIAL PROPERTY TAXES (3.08% of Total)

Telephone (Mutual & Rural)	$ 334,885.54
Mobile Home	1,618,240.79
REA Co-ops	1,944,463.74
Bank	2,735,914.37
Building and Loan Associations	556,299.41
Woodland	10,408.91
Total	$ 7,200,212.76

UTILITIES (6.84% of Total)

Railroads	$ 2,637,885.03
Telephone	5,884,733.66
Telegraph	29,621.07
Electric, Gas, Water & Heat	6,399,071.98
Pipe Lines	948,555.98
Tax Increments	90,743.22
Total	$ 15,990,610.94

REAL ESTATE (90.05% of Total)*

Rural	$ 86,491,248.90
City	123,927,310.74
Total	$210,418,559.64

GRAND TOTAL (100%)	$233,670,484.21

*Includes all special assessments.

SOURCE: 1981 Statistical Report, 1980 Property Taxes Levied, 1981 Property valuation, N. D. State Tax Department.

Property Tax

Real property owned by a corporation, partnership, individual estate or trust is subject to a tax based on its valuation. The property tax, except the tax on the operating property of railroads and other utilities, is assessed and administered locally. The property tax is collected and distributed by the county to the county, cities, townships, school districts, and other taxing districts. The North Dakota Century Code has provided that assessments be made at true and full value and that assessed value be computed at 50% of true and full value. As amended by the 1981 Legislature for taxes levied in 1981 (payable in 1982), the assessed value will be at a percentage of true and full value as follows: residential property at 9%, commercial and railroad property at 10%, agricultural property at 10%, and centrally assessed property other than railroad property at 14% in 1981, 13% in 1982, 12% in 1983, 11% in 1984 and 10% thereafter, with taxable value to remain 50% of assessed value. Also, true and full value of agricultural property will now be based upon productivity. Beginning with taxes levied in 1982 (payable in 1983) and thereafter, the assessed value will be 50% of true and full value and taxable value will be a percentage of assessed value according to the percentages established by the 1981 Legislature for the various classes of property.

Taxes on personal property, except those properties assessed by the State Board of Equalization and certain personal properties owned by nonprofit corporations, were exempted by the 1969 Legislature. The 1981 Legislature amended the 1969 personal property exemption. For taxes levied in 1981 and thereafter, only the personal property assessed by the State Board of Equalization will be subject to property taxes.

The assessed valuation of railroad and public utility property is centrally determined by the State Board of Equalization. Taxable valuation of railroad and utility property is 50% of assessed valuation. Mutual or cooperative telephone companies and rural electric cooperatives are subject to a tax not on their properties but upon their gross receipts.

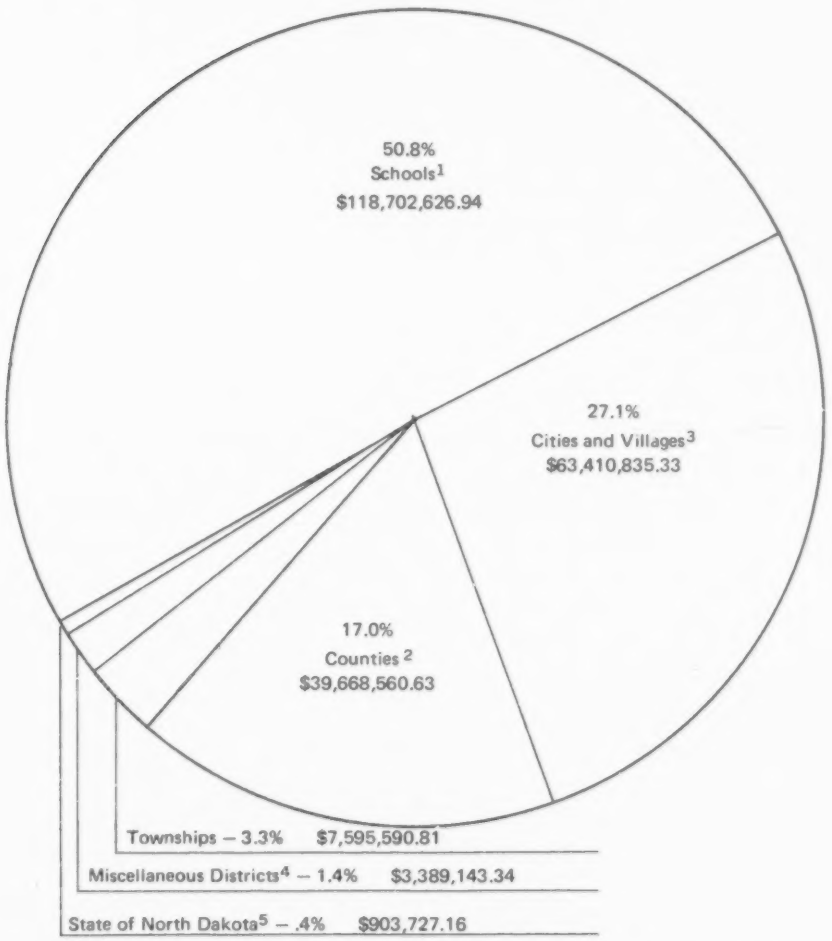
Also instead of a property tax, large electrical generating plants are subject to a tax on electricity produced for sale either through a gross receipts tax or a per kilowatt hour tax. Large transmission lines are taxed on a per mile basis. The taxes on electrical production, gross receipts from electrical production, or large transmission lines are not included in the above.

A Constitutional amendment was passed in the 1980 primary election by the citizens of North Dakota which eliminated the maximum general 4-mill state property tax levy. This tax has not been levied in recent years.

NORTH DAKOTA STATE TAX DEPARTMENT

WHERE GENERAL AD VALOREM PROPERTY TAXES, SPECIAL PROPERTY TAXES AND SPECIAL ASSESSMENTS GO

(Levied in 1980 – Payable in 1981)



GRAND TOTAL – $233,670,484.21

[1]Including County Special Education Fund and County Equalization Fund. The 1981 Legislature has eliminated the county equalization fund for taxes levied in 1981 and thereafter.

[2]Including County Park Districts and Vector Control Districts.

[3]Including City Park Districts and Special Assessments.

[4]Garrison Diversion, Water Management Districts, Rural Fire Districts, and All Special Assessments for Rural Districts.

[5]Constitutional one mill levy for the medical center at the University of North Dakota.

SOURCE: 1981 Statistical Report, 1980 Property Taxes Levied, 1981 Property Valuation, N. D. State Tax Department.

NORTH DAKOTA STATE TAX DEPARTMENT

PROPERTY TAX INFORMATION
SENIOR CITIZENS AND DISABLED PERSONS PROPERTY TAX REFUNDS AND CREDITS

Year	Number of Persons Receiving Renter's Refunds	Number of Homeowner's Credits	Homeowner Assessed Value of Property Exempted
1970		4,872	$ 3,177,301
1971		5,463	3,576,651
1972		5,435	3,550,818
1973		5,073	3,246,493
1974	297	5,050	4,296,571
1975	458	5,545	5,897,618
1976	553	6,199	6,078,059
1977	1,380	8,765	11,140,880
1978	2,270	9,851	12,694,883
1979	2,572	10,529	13,138,384
1980	2,590	10,633	15,251,422

In 1969, the North Dakota Legislature enacted a real estate tax credit for senior citizen homeowners with an annual income from all sources of $3,000 or less. In 1973, the Legislature extended the provisions of the credit to include senior citizen renters as well as homeowners and raised the maximum income eligibility limit to $3,500. Disabled persons of any age who are homeowners or renters were added to the program in 1975. Additional adjustments to the maximum annual income eligibility limit were made by the 1975 (to $5,000), 1977 (to $8,000), and 1979 (to $9,000) Legislatures. To be eligible, the senior citizen must have been 65 years of age or older in the year in which the tax was levied. Disabled persons applying for the program must be permanently and totally disabled.

The credit for eligible homeowners is a reduction in the assessed value of the homestead as determined by the following schedules:

For Taxes Levied in 1979 (Payable in 1980)			For Taxes Levied in 1980 (Payable in 1981)		
Income of	Reduction	Maximum Reduction	Income of	Reduction	Maximum Reduction
$ 0 - $3,500	100%	$4,000	$ 0 - $4,500	100%	$4,000
$3,501 - $4,500	80%	3,200	$4,501 - $5,500	80%	3,200
$4,501 - $5,500	60%	2,400	$5,501 - $6,500	60%	2,400
$5,501 - $6,500	40%	1,600	$6,501 - $7,500	40%	1,600
$6,501 - $8,000	20%	800	$7,501 - $9,000	20%	800

For eligible renters to receive a refund for part of the rent, the annual rent payments must use up a certain percentage of the renter's income. When 20% of the total annual rent payment exceeds 4% of the renter's income, a refund for the overpayment of rent is given. The maximum refund allowable to the renter has been $175. Charges for such services as heat, lights and furniture must be excluded when determining the annual rent payment for the purposes of the property tax refund.

The 1981 Legislature increased the maximum annual income eligibility limit to $10,000 for taxes levied in 1981 (payable in 1982), affecting the credit schedule as follows:

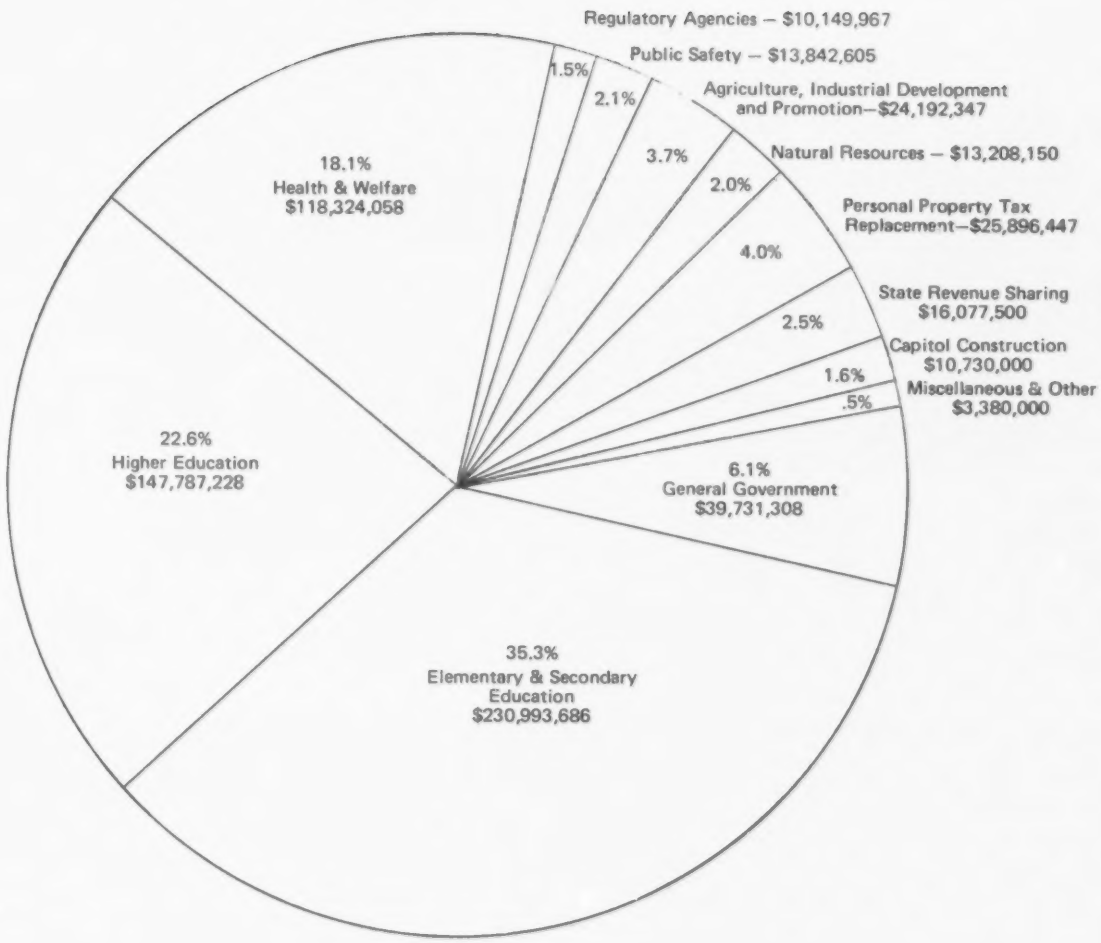
For Taxes Levied in 1981 (Payable in 1982)		
Income of	Reduction	Maximum Reduction
$ 0 - $ 5,500	100%	$4,000
$5,501 - $ 6,500	80%	3,200
$6,501 - $ 7,500	60%	2,400
$7,501 - $ 8,500	40%	1,600
$8,501 - $10,000	20%	800

Also beginning with the taxable year 1981, the maximum allowable refund to renters has been increased to $190.

NORTH DAKOTA STATE TAX DEPARTMENT

GENERAL FUND
1979-1981 APPROPRIATIONS

Total General Fund – $654,313,296
$1,002 Per Capita – 1980 Census



SOURCE: State of North Dakota Executive Budget, Comparative Statement of Legislative Appropriations for 1979-1981 and Recommended Appropriations for the 1981-1983 Biennium, Department of Accounts and Purchases.

NORTH DAKOTA STATE TAX DEPARTMENT
STATEMENT OF EXPENDITURES
1979-81 Biennium

	Commissioner's Division	Legal Division	Controller's Division	Sales & Special Taxes Division	Income Tax Division	Property & Utility Taxes Division	Homestead Credit Administration	Multistate Tax Commission	State Board of Equalization	Total
Salaries and Wages										
FY-80	$ 349,588.46	$139,698.58	$ 427,468.04	$ 601,396.66	$ 363,714.95	$ 93,502.92	$ 3,433.54	$ 0	$ 0	$1,978,803.15
FY-81	382,440.80	154,564.99	491,205.53	651,303.04	411,537.95	112,591.10	4,119.09	0	0	2,207,762.50
Fees and Services										
FY-80	30,993.46	8,202.66	136,790.15	65,866.30	85,736.03	7,957.32	1,169.00	38,498.28	0	375,213.21
FY-81	32,771.42	6,793.40	145,275.45	63,469.79	74,424.23	6,892.89	1,504.00	42,947.70	2,894.30	376,973.18
Supplies and Materials										
FY-80	2,837.38	3,571.31	37,368.55	9,617.21	72,375.46	2,781.27	1,403.40	0	0	129,954.58
FY-81	4,117.19	4,217.21	32,378.04	6,904.28	71,452.13	2,932.36	2,152.50	0	0	124,153.71
Equipment										
FY-80	600.00	0	1,098.39	303.35	2,344.97	457.91	0	0	0	4,804.62
FY-81	4,537.63	1,093.55	3,825.36	3,157.04	11,959.26	1,832.75	0	0	0	26,405.59
Data Processing										
FY-80	97,908.34	0	53,627.11	125,396.11	89,096.16	29,856.46	0	0	0	395,884.18
FY-81	383,980.43	0	0	0	0	0	0	0	0	383,980.43
Microfilming										
FY-80	0	0	142.02	0	0	0	0	0	0	142.02
FY-81	0	0	2,857.98	0	0	0	0	0	0	2,857.98
Total										
FY-80	$ 481,927.64	$151,472.55	$ 656,494.26	$ 802,579.63	$ 613,267.57	$134,555.89	$ 6,005.94	$38,498.28	0	$2,884,801.76
FY-81	$ 807,847.47	$166,669.15	$ 675,542.36	$ 724,834.15	$ 569,373.57	$124,249.10	$ 7,775.59	$42,947.70	$2,894.30	$3,122,133.39
TOTAL 79-81	$1,289,775.11	$318,141.70	$1,332,036.62	$1,527,413.78	$1,182,641.14	$258,804.99	$13,781.53	$81,445.98	$2,894.30	$6,006,935.15

SOURCE: Comparative Statement of Disbursements for fiscal years ending June 30, 1980, and June 30, 1981, Controller's Division, North Dakota State Tax Department.

RESOURCES AVAILABLE FROM THE NORTH DAKOTA STATE TAX DEPARTMENT

COMMISSIONER'S DIVISION

Biennial Report of the Tax Commissioner
Special Reports and Analyses on North Dakota's Tax Structure

INCOME AND OIL TAXES DIVISION

Business and Corporation Privilege Tax Rules and Regulations
Income Tax Law, Rules and Regulations
Guidelines
Practitioners' Newsletter
Nonresident Withholding Tables for Income Tax
Withholding Information for Employers

PROPERTY TAX DIVISION

Property Tax Statistical Report
North Dakota Sales Ratio Study
Proceedings of the State Board of Equalization
Assessors' Manual
Property Taxation Manual
Property Tax Credit for Senior Citizens or Disabled Persons Brochure
Property Tax Exemption for Improvements to Residential or Commercial Buildings or Structures Brochure

SALES AND SPECIAL TAXES DIVISION

Sales and Use Tax Law, Rules and Regulations
Estate Tax Law, Rules and Regulations
Motor Vehicle Fuel Tax Law, Rules and Regulations
Guidelines
Motor Vehicle Fuel Tax Newsletter
Sales and Use Tax Quarterly Newsletter
Sales and Use Tax Statistical Report

For a copy of these materials or any current North Dakota tax forms or booklets, write: North Dakota Tax Department, State Capitol, Bismarck, ND 58505.

The Tax Department also provides a statewide, toll-free telephone number (1-800-472-2110) which taxpayers may use to obtain assistance in filing taxes or to obtain answers to tax questions.